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ARED
Newsletter

Agriculture and Rural Economy Division
Economic Research Service
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Economic and Social Research for Rural America



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ARED REFLECTIONS

Information for Decisionmakers

by Ken Deavers

Last year I used this occasion to express my gratitude to all of the people in ARED who had done so much to make the year successful. I feel the same this year and I especially want to share my happiness in the knowledge that so many people in ARED, the people we work with, contributed generously to the Combined Federal Campaign. It is a pleasure to work with people who look beyond their own needs to the needs of others.



Ken Deavers

I hope everyone who reads these words had the happiest of holidays and will enjoy a fulfilling new year.

In the balance of the space I'm allotted I will talk about one way we can make 1989 more fulfilling in our work.

Working in ERS, the new guide for employees (prepared by a committee chaired by Peggy Ross) defines the ERS mission as providing "information for decisionmakers." Exactly. But not a simple task. Our training in social science prepared us better to produce good information and analysis than to present our work so that it serves the user best.

In a way we are like American manufacturers who try to sell their wares overseas without doing adequate market research. They assume foreign consumers will accept products packaged according to American tastes and habits. Like them, we often package our products to please the audience we know best, our colleagues, rather than decisionmakers.

It's no secret there is a gap between analysts' and decisionmakers' approaches to information, or that the gap reduces the usefulness of what we do. As a practical matter, most of the burden of narrowing the gap falls to us. We can't change facts and shouldn't tailor our analysis to prove cases that are not in accord with the best information. But we can communicate better and do a better job of demonstrating the relevance of our work.

A good study speaks for itself, but *only if the author makes it*. We cannot assume, as other scholars often can, that our primary audience is colleagues who understand our specialized use of words (jargon), will work to extract our meaning, and will immediately recognize its important implications.

We can make our work more accessible by improving our writing and oral presentations. ARED and ERS are committed to helping staff members sharpen individual communication skills. We've recently sponsored writing courses. And for many years the agency has been sending people to "Speaking

Up With Style," excellent training to improve oral presentations and briefings.

Good writing includes more than a simple style and careful word use. Putting technical and methodological information in notes or appendices helps the reader concentrate on the principal findings of the research. So does a clear executive summary. And organization is important. Presenting the central findings at the beginning is usually better than recounting the steps in the research as they took place and revealing the conclusions at the end, like a mystery novel. Disciplining ourselves to make our points crisply and then move on is basic.

Accessibility is also improved by using the best vehicle for publication. Combining related research in a single volume, as we did last year with the Senate study, let us reach more readers than we usually do. AIB's, AO's, and *Rural Development Perspective* articles do the same thing.

Frankly, I am sometimes frustrated by the lack of attention to clarity in some of our work. With very few exceptions, no one in ARED is working on a subject so technical that the conclusions can't be explained to an interested lay reader. My experience and everything I read suggests that the best thinkers are usually the best writers, the most aware of how difficult it is to write well, and the most dedicated to improving that aspect of their craft.

Having said all of this, I want to add two further points. I have seen some excellently written work from ARED authors. A good example is Ron Durst's staff work on tax issues. Tax law is a technical subject but Ron can write about it in English. Many others have produced fine work but I won't try to list them. I have also seen tremendous improvement in the writing of some staff members immediately following their taking a writing course, convincing me that training can make a big difference for a person interested in profiting from it.

The second point that I want to stress is that I am not implying that we value only popular or synthesizing work. Coming back to where I began, I recognize the importance and enormous time burden of gathering information on technical subjects. Some of the data bases we put together and some of our basic research will never be very interesting to decisionmakers. All of our work requires accuracy and attention to detail that must be (and is) valued and rewarded for its own sake, not because it will ever be appreciated by people outside the research community. I emphatically am not suggesting that everyone in ARED should perform only tasks that have a good chance getting attention from an assistant secretary or a congressional staffer. But I am suggesting that when such people are the audience, we think carefully about how we can be most effective.

FEATURED RESEARCH

A Bimodal Model for Farm Structure

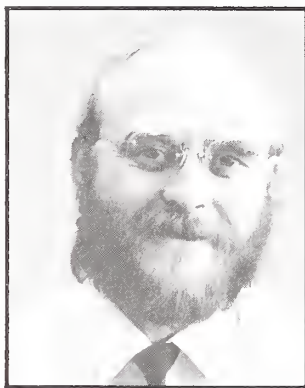
Agriculture is an important economic base for many rural counties and a major factor in the U.S. balance of trade. There-

fore, changes in its structure will affect the economic vitality of many rural communities as well as the sector's ability to participate fully in international markets.

Nora Brooks and David Henderson (Farm and Rural Economy Branch) found that, by 1982, the U.S. farm sector had developed into a dual, or bimodal, economy with 53 percent of the farms producing 77 percent of the total gross agricultural output. Moreover, based on the 1982 sales class distribution, the most commercial 767 agriculture counties in



Nora Brooks



David Henderson

the U.S. contained 27 percent of the total farms and produced 49 percent of the total output, while the least commercial 767 counties had 23 percent of the total farms and only 7 percent of the total output.

Nora and Dave examined changes in farm structural variables between census years to determine systematic differences in the bimodal farm population. They found a high correlation between the location of the most commercial group and the areas of the U.S. where extensive crop agriculture could be practiced. They also found a high correlation between the location of the least commercial group and areas of the U.S. where extensive crop agriculture could not be practiced.

The researchers have postulated a theoretical model which develops two management strategies followed by farmers that could lead to the bimodal farm sales economy. The model is based on the assumption that farmers allocate their limited resources between competing activities in a manner which maximizes family income.

The commercial management strategy is based on economies of size in agricultural production and leads to the *consolidation* of farms as a means to increase farm family income. The alternative management strategy is to allocate farm labor to *off-farm employment* as a means to increase farm family income. The off-farm employment strategy arises out of the relatively low opportunity costs to farm labor in farm-related activities among the least commercial group.

Nora and Dave conclude that in areas with favorable physical environments, farm structure is determined primarily by the farm consolidation strategy, and that in areas with environmental constraints, the off-farm employment strategy dominates. They point out that *both* strategies are present in all environ-

ments, but to differing degrees and that the off-farm employment strategy is influenced by the level of development in the non-farm economy.

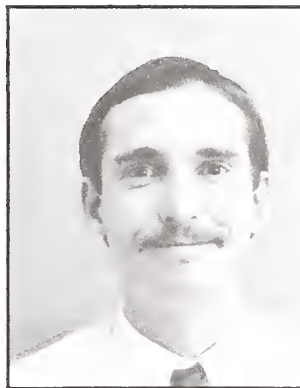
Rural Electric Cooperative Study

Rural electric cooperatives (RECs) have, since 1935, provided electricity to farmers, ranchers and small communities who otherwise would have been left in the dark. Today, many of those same Americans are in danger of being left in economic darkness. And as in 1935, RECs may be able to provide an essential service -- economic development.

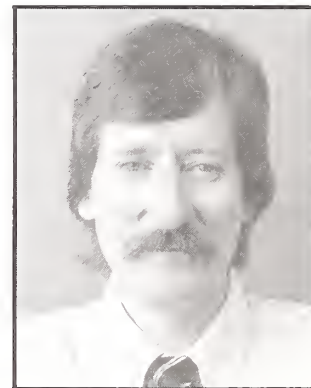
Recent events have focused greater attention on the role that these nearly 1,000 cooperatives might play. First, with enactment of the Budget Reconciliation Act of 1987, each local cooperative now is permitted to use up to 15 percent of its assets for rural development purposes. Second, national leaders of the cooperative movement, especially former Secretary of Agriculture Bob Bergland, are strongly encouraging the local cooperatives to become more heavily involved in economic development.

To gain a greater understanding of the role that rural electric cooperatives have been playing in enhancing local development efforts, ERS is working with the National Rural Electric Cooperative Association (NRECA) in studying these efforts. The purpose of the study is to look at the ways that one institution, the electric cooperative, works with the other local institutions to promote economic development. The insights gained here should suggest some ways that other institutions might become involved in the development process.

Tom Rowley and Dave Sears (Rural Business and Government Branch) will analyze data collected from a nationwide NRECA survey of RECs. The survey will attempt to collect



Tom Rowley



Dave Sears

information on 1) the role of cooperatives in rural economic development, 2) the processes of economic development employed by coops, and 3) alternative development strategies under varying local economic conditions. In their analysis, to begin in the spring, Tom and Dave will utilize data from the survey, combined with secondary data on communities served by the cooperatives.

Estimating the Effects of Tax Reform on Sole Proprietorships

The Tax Reform Act (TRA) of 1986 continues to make headlines, with the recent enactment of major technical corrections to the Federal tax code and renewed debate over possible changes to tax provisions.

Because the TRA and any changes to it could have significant effects on farm taxpayers, **Cliff Rossi** (Finance and Tax Branch) has put together a comprehensive assessment of TRA tax effects on the agricultural sector.



Cliff Rossi

His study features a comparative assessment of tax liability for the population of 2.69 million farm sole proprietors under pre-tax reform and fully implemented tax reform provisions. A tax accounting model using a database of over 15,000 farm proprietors reporting farm income in the 1982 tax year

modifies the tax schedules to reflect the differences between pre- and post-tax reform rules that matter most to farmers. Aggregate tax liability estimates are obtained by applying IRS weighting factors to each sample record.

While certain limitations in the data are recognized in the report, the analysis captured the effects of such major changes as dramatic reductions in marginal tax rates, the repeal of the investment tax credit (ITC) and exclusion for long-term capital gains, more liberal depreciation and expensing rules, higher personal exemptions and standard deductions.

As a means of examining the incidence and distributional effects of tax reform, tax liability is estimated for various taxpayer groups. In particular, estimates of tax liability are compared by type of farm enterprise, off-farm income, taxable income, and farm business receipts. Moreover, each provision's effect on tax liability is determined for each taxpayer class.

While aggregate farm proprietor tax liability was estimated to decline by 4.5 percent under tax reform, more proprietors report tax liability under TRA than under the old law. The reductions in tax liabilities from lower tax rates, increased personal exemptions and greater depreciation and expensing are offset to a great extent by the repeal of the ITC and capital gains exclusion. Tax reform continues the pattern of progressivity in the tax structure as witnessed by average tax rates that increase with income. As expected, taxpayers with farm receipts over \$60,000 pay more in taxes under the 1986 law.

In terms of net winners and losers from tax reform, taxpayers engaged in field crop and general livestock activities experience larger percentage reductions in taxes under the new law than other farm groups. All sectors with the exception of dairy experience net reductions in taxes.

OFFICE OF THE DIRECTOR

Papers Presented and Meetings Attended

Ken Deavers and **Dick Long** presented a paper comparing U.S. and Western European perspectives on rural policy at the National Public Policy Education Conference in Cincinnati, Ohio, on September 13. Rural development was a principal theme of this year's conference.

Ken Deavers spoke at a meeting of the National Agriculture Symposium of the National Planning Association in Kansas City, Missouri, on October 14, and at a meeting of the National Coastal Resources and Development Board of Governors at Beaufort, North Carolina on October 20.

Dick Long described current rural economic trends and conditions to a Southern Legislative Conference meeting on New Challenges for Regional Economic Development at Charleston, WV, on September 29. He gave a similar talk at the Western Regional Meeting on Rural Development Strategy Options in Reno, Nevada on October 11, 1988.

A joint U.S.-Canada workshop on agricultural income and wealth data was held in Ottawa, Canada, October 27 and 28. **David Harrington**, **Jim Johnson**, and **Mike Salassi** attended from ERS. Other participating agencies included Statistics Canada, Agriculture Canada, and the Farm Credit Corporation representing Canada, NASS, and the Agriculture Division of Bureau of the Census. David opened the workshop with a discussion of FCRS. NASS continued the presentation of FCRS methods and applications, and Mike discussed farm level models in ERS. Canada presented similar information about Canadian surveys and information needs.

Sara Mazie participated in the first meeting of the directors of the new HHS funded Rural Health Research Centers. The meeting was held by the office of Rural Health Policy, which is responsible for coordinating and monitoring the work of the centers. Sara briefed the directors on ARED's rural development research program, USDA funded regional rural development research centers and other USDA sponsored rural development research activities.

Ken Deavers, **Dick Long**, **Tom Hady**, and **Bob Hoppe** presented papers or were discussants at a Congressional Research Service sponsored symposium on improving Federal rural development policy. The symposium was held at the request of the Joint Economic Committee, September 29-30.

Ken Deavers spoke about current rural economic trends and conditions at the Extension sponsored Rural Development Policy Options Workshop in Birmingham, AL, on October 4.

Briefings and Miscellaneous

Sara Mazie served on an HHS panel that evaluated proposals for establishing 3 to 5 new Rural Health Panel Research Centers across the country. Collectively, over \$1 mil-

lion in grants appropriated by Congress will go to winning centers to carry out and facilitate applied and policy research on health care delivery in rural areas. The Office of Rural Health Policy (ORHP), established by legislation within the last year, organized the panel and will be responsible for coordinating and monitoring the work of the centers. ARED's involvement was an indication of ORHP's awareness of the importance of the relationship between health care delivery and other rural development issues.

Rural Development Perspectives

The next issue of *RDP* is expected off press soon. It contains articles on how Federal Funds get distributed to rural areas, how the Urban Development Action Grants program has helped rural economies in the last 10 years, and how the supply of appropriate jobs for participants in new workfare programs, while proportionately larger in nonmetro areas, may well fall short of the demand. Other articles examine farming in urban areas and efforts to preserve groundwater quality in rural areas.

We are always interested in receiving fresh ideas for *RDP* articles. If you know of any research, (or are doing any yourself), that brings new insight to issues of importance to rural development, please call Sara Mazie, Executive Editor, at (202) 786-1547, or write her (room 324) with your suggestions. Also, if you have not seen an issue, and would like to, call Lisa Nanches at the same number for a complimentary copy.

FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

by Jim Johnson

In late November, FSFA took on an international flavor with its own version of detente, when Bob McElroy spoke with a delegation from the Soviet Union on data collection and survey techniques. The delegation was visiting ERS to study the Agency's modeling program. They were concerned about data quality from their own experiences with collective farms. Bob took the Farm Costs and Returns Survey as an example to explain ERS' and NASS' methods for sampling, questionnaire design, and edit procedures.

The December issue of our *Agricultural Income and Finance Situation and Outlook* is in the final editorial stages. In the last issue of the ARED Newsletter, I spoke about our long-awaited decision to expand the Ag Finance S&O Reports into a quarterly venture, with Bob coordinating all but the February issue on ag lenders that Jerry Stam (F&T) handles. This issue will be featuring the Agency's first forecasts of farm income and the balance sheet for 1989. There is also a section

looking at who is getting government payments, which should prove enlightening.

As a final note, I will highlight some of our late summer, early fall activities for the 1988 Farm Costs and Returns Survey (FCRS). This year, the FCRS will obtain data on flax, oats, sugarbeet, sugarcane, and hog costs of production; farm operator resources; and farm production expenditures and finances. Survey forms to be used in the 1988 survey were subjected to field trial in August. Staff from ARED, CED, and NASS conducted interviews in eleven states. At the end of August, a joint review session was held to make final revisions in the questionnaires to be used next Winter.

Prior to this interagency meeting, ERS staff met to review and address problem areas. Two areas of the questionnaires received particular attention, irrigation practices and contract production and marketing. FSFA has designed a new section of the questionnaire to address contractual arrangements that exist for livestock, poultry, and crop production, especially vegetables. This effort will provide data on the sharing of expenses and revenues among growers and contractors-integrators-processors.

Farm Income Estimation Section

Publications

The annual National and the State Financial Summary issues in the *Economic Indicators of the Farm Sector* series were published in October and November, ahead of last year's releases by 2 and 3 months, respectively. This productivity increase resulted directly from the utilization of the Section's new PC LANS, installed in February.

October's *Economic Indicators of the Farm Sector: National Financial Summary* found net farm income increased by 23 percent in 1987, while net cash income rose 11 percent to \$57 billion. Both income concepts reflect cash income minus expenses. But, unlike net cash income, net farm income takes into account noncash items, such as the value of change in inventories, which was negative in 1987, and the buildings and equipment depreciation allowance, which fell slightly but remained high in 1987. These two factors meant that net cash income was higher than net farm income. Livestock marketing increased substantially as farmers had the advantage of higher meat prices that boosted receipts while cash expenses remained about the same.

The Farm Income volume of the Department's *Major Statistical Series of the U.S. Department of Agriculture*, commonly referred to as the handbook series, was published in November. This edition of the handbook, last published in 1969, was the product of concerted effort by numerous individuals within the Section over several years.

Briefings and Miscellaneous

Mark Elward, economist with Statistics Canada, recently spent an entire day in discussions regarding farm income estimation concepts and procedures with **Roger Strickland, Jerry Warmann, Chris McGath, and Jim Ryan**. Statistics Canada is scheduled to release multi-year revisions of its farm income accounts in May as a result of a recent census of agriculture. The revisions to its detailed component accounts are to reflect improvements in estimations procedures, as well as the new data.

Economic Indicators Research and Forecasts Section

Research

Greg Hanson, Richard Kodl, and Gary Lucier have been studying the impact of the drought. They found that agriculture's recent financial improvement will lessen the repercussions of the 1988 drought. In particular, cash flow and balance sheet gains that accrued in 1987 provide farmers more of a financial cushion than existed in 1985-86.

Bob Dubman, with assistance from **Greg Hanson**, is analyzing the financial performance of specialized wheat, corn, hog and dairy farms based on farm level data.

The *Economic Indicators of the Farm Sector: Farm Sector Review, 1987*, has been edited by **Diane Bertelsen** and is in final clearance.

Publications

In November, *Financial and Production Management Benchmarks From Farm Operator Survey Data*, by **Diane R. Bertelsen**, was published. Her report provides benchmark management ratios for 13 types of crop and livestock operations. These theoretical benchmark ratios enable analysts to compare an operation's cost structure and profitability with the industry norm and to identify changes it needs to make to remain competitive. The benchmark profitability ratio, based on net cash returns, does not necessarily show economic profit or even accounting profit, but instead indicates short-term cash flow.

Papers Presented and Meetings Attended

Greg Hanson presented the ERS finance outlook at the USDA Outlook Conference; co-authors were **Andy Bernat, Ken Erickson and Jim Ryan**.

Farm Costs and Returns Section

Publications

Farming-Dependent Counties and the Financial Well-Being of Farm Operator Households, was published by **Mary**

Ahearn, Susan Bentley and Thomas Carlin (FRE), in August. The authors report that the financial well-being of farmers varies with the local economy's dependence on farming. The economists focused their research on the financial well-being of farm operator households in counties that rely most heavily on farm earnings.

Mary Ahearn, Robert Dismukes, and Mir Ali have completed the annual *Economic Indicators of the Farm Sector: Costs of Production*. The report contains regional and national costs-of-production estimates for major field crop, sugarbeet, sugarcane, cattle, hog, and sheep enterprises, and draws upon the work of **Annette Clauson and Warren Jessee** of CED. This year's report incorporates new production budgets developed by **Dismukes and Ali** for wheat, soybeans, sorghum, and sunflowers, based on specialized versions of the 1986 FCRS.

Briefings and Miscellaneous

ERS researchers are using a new approach called the Farm-Level Budget Generator (FLBG) to obtain better cost estimates and allow for more rigorous analyses of cost distributions and cost relationships to farm size and geographic regions than previously were possible. Analysis of rice was completed last year. Wheat, soybeans, sorghum, corn, cotton, and peanuts are being evaluated this year.

Plans for the 1988 FCRS are being finalized. The Section staff has been working since this past summer on questionnaire design, in-the-field pretesting of the questionnaire, and preparation for the national NASS training schools coming up in January. Researchers in CED have been instrumental in helping coordinate the sugar and hog versions of the survey.

FINANCE AND TAX BRANCH

View from the Branch

by Pat Sullivan

As we change years, I'd like to reflect upon our accomplishments and outline our plans for the future.

However you want to delineate it, 1988 was a good year for the branch. A biased opinion, I'll admit, but one that I believe is justified. A lot of quality research was completed on some pressing issues at a time when the branch was required to put a considerable amount of effort into S&O and staff analyses.

For their efforts, **Ron Durst, Greg Gajewski, Stephen Hiemstra, Merritt Hughes, Steve Koenig, Joan Redd, and Jerry Stam** received performance and/or special act awards during the year. These individuals richly deserve the public recognition and meager monetary rewards that their performance has earned, but the entire staff, including those not publicly recognized this time, have my congratulations and appreciation for an impressive effort.

The coming year will require a continuation of this effort. We have several major products scheduled for the first half of the year (my planning horizon's effective limit), and hope to make significant progress on a number of new research initiatives.

In cooperation with the Farmers Home Administration (FmHA), we will be completing an assessment of FmHA's guaranteed farmer loan programs for a Congressionally mandated report. For the first time, information is being collected on the characteristics of a nationwide representative sample of borrowers participating in the guaranteed loan programs. These data will be combined with information on the guaranteed loans and loan originators to serve as a baseline for measuring the impacts of a secondary market in FmHA guarantees, to be initiated sometime in 1989.

At the same time, the branch will be producing the February issue of the *Agricultural Income and Finance Situation and Outlook* report, drafting a series of AIB's on agricultural credit, and putting together a multi-chapter assessment of the role of Federal intervention in financial markets as a rural development strategy.

Assuming the schedule for the beginning of 1989 doesn't lead to mass resignations, we also plan on pursuing research on several other fronts. Continuing Congressional interest in bank deregulation, the evolving multibillion dollar crisis in the thrift industry, Federal capital gains tax proposals, and the launching of Farmer Mac will all command our attention. In addition, we hope to make significant improvements in our rural financial markets database, and, if a few key vacancies are filled, develop new research on rural business access to credit and initiate a new semi-annual report on the *Condition of Agricultural Banks*. It should be an interesting year.

Branch Activities and News

In the short span of 3 years, we have developed a long-standing tradition of putting together a session at the Eastern Economics Association annual conference with researchers from the Federal Deposit Insurance Corporation (FDIC). This year's conference, being held in Baltimore on March 2-4, will include back-to-back sessions on topics of mutual interest. The first session covers bank deposit issues and includes papers by Greg Gajewski and Fred Carns, Panos Konstantas and Arthur Murton (FDIC). The second session includes papers with a rural development focus by Dave Freshwater (JEC), Lynn Nejezchleb (FDIC), Dan Milkove, Steve Koenig, and Pat Sullivan. Greg will chair the first session and Pat will chair the second.

Agricultural Finance Section

Research

The Ag Finance Section initiated several new cooperative research agreements at the end of fiscal 1988. An agreement entitled "Future Directions of Agricultural Lenders: The Farmers Home Administration's Farm Loan Program" was

made with Professor William Herr of Southern Illinois University. Under terms of the agreement, Bill is spending a sabbatical leave in ERS researching FmHA's guaranteed loan programs for farmers.

A second agreement was developed with Professors Michael Boehlje and Glenn Pederson of the University of Minnesota. "Economic Analysis of Restructured Farm Loan Performance" calls for an analysis of the major determinants of restructured farm loan performance, based on data obtained from the Farm Credit Banks of St. Paul.

A third agreement, with Professor David Lins of the University of Illinois, entitled "Evaluation of Farmers Home Administration Disaster Relief Loan Programs: Implications for Other Government Programs," addresses the interrelationships between FmHA disaster loans, other Federally supported farm credit programs, Federal crop deficiency payments, and Federal crop insurance.

During the year, significant progress was also made on two prior research agreements. The first, with Professor Stephen Matthews of the University of Missouri, deals with a study of Missouri farm bankruptcies in the 1980's. The second, with Professor Lindon Robison of Michigan State University, is a study of the impacts of subsidized credit and other Government assistance programs on ag land values, output levels, and product prices.

Greg Gajewski submitted a paper titled "How and Why Banks Fail: A Regulatory Paradigm," to the *Journal of Money, Credit, and Banking*. Results show that farm banks and banks in energy-dependent counties face higher closure odds, while large banks and banks affiliated with holding companies that own many subsidiary banks have lower closure odds. The results suggest the gains to banks from unlimited Statewide branching and expanded powers to underwrite securities may be overstated. The results also suggest ways the bank regulators could improve their off-site monitoring.

Based on his model, Greg has prepared initial forecasts of bank failures in 1989. Banking conditions have improved between mid-1987 and mid-1988, and the forecasts reflect the improvement. Bank failures in 1989 are forecast to be in the 76-114 range, down substantially from 1988's 200-plus failures. And agricultural bank failures should be in the 16-36 range, also down from 1988's 40-plus failures. Greg plans to use his 1987-89 forecasts of bank failure probabilities to profile the changing nature of risks facing the banking system in an upcoming paper planned for the Eastern Economic Association meetings in March.

Merritt Hughes and Ken Hanson (NEH) are working on "U.S. Farm Policies and Farm Asset Distribution: Imperfect Adjustments." Their paper has been accepted for the "Use of Microdata and Microsimulation Models" plenary session of the August conference of the International Association for Research in Income and Wealth, to be held in Lahnstein, West Germany. The paper will extend work done by Maureen Kilkenny and Sherman Robinson (NEH) characterizing domestic and trade-related ag policies in a computable general equilibrium model. Merritt and Ken will modify the model to

allow more detailed analysis of the farm sector and explicit recognition of the dependence of ag production on credit.

Publications

"Farm Lenders Mending, But Long-Term Doubts Remain" by **Jerry Stam**, **Greg Gajewski**, **Steven Koenig**, and **Merritt Hughes** was published in the August 1988 issue of *Agricultural Outlook*. The article indicates that higher farm earnings, relatively steady interest rates, and accelerated farm debt repayment revitalized many farm lenders going into 1988. Most lenders continued to improve throughout 1988, although drought-related problems created difficulties for some. The longer term outlook for lenders is clouded. They face tighter interest margins, relatively weak demand for farm loans, and massive regulatory changes. Also, farm income is becoming more unpredictable as farmers are buffeted by fluctuations in export markets and the weather.

Greg Gajewski also published another article in the August issue of *Agricultural Outlook* on the outlook for banks in drought-stressed counties. Almost 11 percent of the roughly 1,000 ag banks in the drought-stressed counties were vulnerable to failure before the drought hit, making them most susceptible to drought-related loan losses. Overall, ag banks were rebounding as farmers entered 1988's planting season, so the banks were better poised to absorb drought-related loan losses than they were a few years ago. Still, over 500 ag banks remained vulnerable to failure in 1988. Greg found that the weak ag banks were not concentrated in the drought-stressed counties on a national level, although there was a slight regional concentration in the Dakotas, Montana, Minnesota, Wisconsin, and Wyoming.

Papers Presented and Meetings Attended

Jerry Stam, **Greg Gajewski**, **Steve Koenig**, and **Merritt Hughes** attended the NC-161 regional research committee meeting "Financing Agriculture in a Changing Environment: Macro, Market, Policy, and Management Issues," held at the Farm Credit Administration in McLean, VA, October 4-5. Jerry chaired a session entitled "Emerging Issues for Financing Agriculture." Merritt delivered a paper entitled "Adapting to Turbulent Credit Markets: Loan Pricing Options for the Farm Credit System." The paper examined the extent to which the System might be able to dampen shocks to net income through discretionary loan pricing rules.

Bill Herr, on sabbatical from Southern Illinois University, is investigating factors which help determine the effectiveness of Federal farm credit programs. He attended the NC-161 meeting and reported that the next issue of *Farm Finance Research Notes* will soon be published.

Merritt Hughes presented "Credit Rationing in a Regional Economic Model" at the North American Meetings of the Regional Science Association, held in Toronto on November 11-13. In her paper, she analyzed how patterns in credit allocation may influence economic performance at the regional level. Differences in the availability of credit for business and con-

sumers, and implications of these differences for output and consumption were emphasized. Outlined in the paper was a simple theoretical model that explores important linkages between internal and external credit, and regional economic growth.

Briefings and Miscellaneous

Jerry Stam, **Steve Koenig**, and **Ron Durst** (RFT) discussed a variety of ag finance and taxation questions with three visitors from South Africa on November 9. The visitors were Johan Carstens, Counsellor, and Andre Van Der Vyver, Agricultural Attache, Embassy of South Africa, and Mike Lamont, Assistant to the Senior Deputy Governor, South African Reserve Bank. Topics included tax policies, credit policies, U.S. ag lending institutions, interest rates, Farmer Mac, farm debt trends, bank failures and State ag finance programs.

Angela Brinson completed the 20-hour course on "Professional Development for ERS Secretaries" in September. She also completed a "Proofreading" course in October and a course covering vocabulary, grammar, and spelling in November.

Rural Finance and Tax Section

Research

Dan Milkove is studying geographic deregulation of the banking industry, and how this might affect rural financial markets. The number of banks is down by more than a thousand from its peak a few years ago, yet has not declined nearly as rapidly as some earlier estimates anticipated. Multi-bank holding companies are converting bank affiliates to branches in States that only recently permitted extensive branching. Also, mergers are involving banks and bank branches in rural areas. But it appears that rural banks are not the prime targets in many cases; instead the rural bank or branch was already part of an urban-based banking firm.

Don Lerman and **Jim Mikesell** have completed research on a revised measure of poverty, based on both income and net worth. Products from this work treat both national and rural differences in the population considered most poor under the traditional (income based) and revised measures. The revised measure changed the poverty composition of some population subgroups considerably while leaving others basically unchanged. There was no net impact on the incidence of rural versus urban poverty.

Stephen Hiemstra has examined the prospective effects of bank product deregulation on rural areas. He reviews the debate over repeal of the Glass-Steagall Act of 1933, legislative proposals made in 1988, and possible effects on rural areas of the proposals presented. The proposals encourage banks to organize themselves as bank holding companies (BHC's). The report suggests that the majority of rural banks will see little benefit from the proposed legislation and the stimulus to rural economic growth is likely to be insignificant. The cost of un-

derwriting securities and the small size of rural banks contribute to this outcome. The few benefits that do accrue are likely to be small because rural bank involvement in securities markets is likely to remain low and because the nature of the securities business suggests that securities affiliates, even when owned by rural BHC's, are likely to locate in urban areas.

Publications

Stephen Hiemstra and Matthew Shane (ATAD) published *Monetary Factors Influencing GATT Negotiations on Agriculture* which analyzes links between monetary disturbances and increasing government intervention in agriculture in the 1980's. Large swings in exchange rates, for example, combined with a rigid price support structure in the early 1980's, helped usher in the 1985 Farm Bill that had explicit trade promotion objectives. The authors argue that since many of the protectionistic programs adopted by governments in the 1980's have been related to monetary disturbances, their effects should be explicitly considered in GATT talks.

In December, Stephen Hiemstra, Steve Koenig (AF), and David Freshwater (JEC) published *Prospects for a Secondary Market in Farm Mortgages* which analyzes the effects of creating a secondary market for farm mortgages loans. The paper claims that success of the secondary market depends critically on the number of mortgage loans pooled, implying that underwriting standards and the participation of the Farm Credit System, which originates a large share of all farm

mortgage loans, will substantially affect the performance of this market. Qualifying borrowers are likely to experience lower interest rates when credit supplies are adequate and increased access to credit when credit supplies are tight. Non-qualifying borrowers may also benefit indirectly through improved credit pricing and lender liquidity.

Jim Mikesell authored *Nonmetro, Metro, and U.S. Bank Operating Statistics, 1985*. Operating statistics are presented for all banks and for particular classes of banks within rural and urban areas. Both differences and similarities in the statistics of particular bank types are noted, including those reflecting the depressed status of agriculture. A draft of a similar report for 1986 has also been completed.

Papers Presented and Meetings Attended

Ron Jeremias presented "Social Security and Farm Financial Planning" at the summer AAEA meetings. The paper discusses the social security tax treatment of farm income, retirement benefits, and the rate of return on tax contributions to the system. In some situations, farmers may expect low returns on tax contributions and may adjust farm operations to reduce the amount of income that is subject to the Social Security tax.

Deano Hagerman presented "A Profile of Recent Bank Failures," coauthored with Gregory Gajewski (AF), at the 1988 AAEA meeting in Knoxville. The 202 commercial bank



Crater Lake in southern Oregon was formed by the collapsed cauldron of the ancient volcano Mt. Mazama.

failures in 1987 set a post-Depression record. Ag bank problems have been overshadowed by weaknesses of banks in oil and gas dependent areas. Geographically, the stress appears to be shifting from banks in the nation's heartland to those in the energy belt. Over 65 percent of all bank failures were located in the five-state energy belt comprised of Colorado, Kansas, Louisiana, Oklahoma, and Texas.

In September, **Ron Durst** attended the Securities & Exchange Commission's Seventh Annual Government Business Forum on Small Business Capital Formation. The conference gives small businessmen, government officials, bankers and others an opportunity to discuss current issues relevant to small business capital formation. Conference participants agreed that the Tax Reform Act of 1986 had a much greater impact on capital formation than the stock market collapse. Support for restoring a preferential tax rate for capital gains was wide spread. Most participants also agreed that the increase in size of banks and other financial institutions did not necessarily have a negative impact on the ability of small businesses to obtain loans.

Cliff Rossi will be presenting a paper entitled "Understanding Linkages Between Macroeconomic Variables and Prices of Options on Treasury Contracts" in February, at the 1989 Annual Meeting of the Southeast Regional Decision Sciences Institute in Charleston, SC. The paper investigates the sensitivity of the price of call options on Treasury bond contracts to changes in inflation, the federal budget deficit, the money supply, and economic growth.

Cliff Rossi will also be giving a paper, coauthored with **Ron Durst**, entitled "Tax Progressivity for Farmers after Tax Reform," at the 1989 Annual Meeting of the Southern Agricultural Economics Association in Nashville, TN, in February. The paper examines tax reform's impact on the effective progressivity of Federal income and self employment taxes for farm sole proprietors. At the same meeting, **Deano Hagerman** will present, "The S&L Crisis: Implications for Rural Capital Formation," coauthored with Cliff. This paper measures the financial health of rural savings and loan associations and examines the implications of the thrift crisis for rural capital markets.

Briefings and Miscellaneous

Don Lerman participated in an interagency group dealing with the contents of the 1991 Residential Finance Survey (RFS). The RFS is a decennial survey concerned with the characteristics, method of acquisition, and financing of nonfarm residential properties. In two meetings held at the Census Bureau in September and October 1988, the group discussed what questions should be added or removed from the 1981 survey in light of the many changes in financial markets and financing practices in the 1980s. Issues related to rural financial markets were addressed at the meetings, including whether the survey should obtain information on mobile home financing and on the location of the source of mortgage financing.

Cliff Rossi was recently interviewed by an Iowa radio station concerning the consequences of the Technical Corrections Act of 1988 for farmers. The Act repealed the heifer tax and restored farmers ability to make tax-free purchases of diesel fuel.

In August, **Ron Durst**, **Cliff Rossi**, and **Jerry Stam** (AF) completed a course on "Managing Problems of the Technical Person in a Leadership Role."

FARM AND RURAL ECONOMY BRANCH

View from the Branch

by Tom Carlin

The Disaster Assistance Act of 1988 required a study of the direct and indirect effects of the 1988 drought on the food and fiber sector and on businesses servicing the business and home needs of U.S. farmers and ranchers. ERS was asked to prepare this report. Preparing this report was a challenge because it will be some months yet before the full effect of the 1988 drought can be fully documented. The final report represented our assessment of conditions as of October 1988. From ARED were **Jackie Bhola**, **Wyn Francis**, **Dave Henderson**, **Fred Hines**, **Mindy Petrulis**, **Judy Sommer** (all FRE); **Greg Gajewski** (F&T); **Greg Hanson** (FSFA); and **Ralph Monaco** (NEH). From other divisions were **Stan Daberkow**, **Tom Hebert**, and **Harold Taylor** (all RTD); **T.Q. Hutchinson** and **Chuck Handy** (both CED).

We estimate that, without drought relief, 20,000-30,000 of the 550,000 U.S. commercial farmers (those with annual sales of \$40,000 or more), located primarily in the Northern Plains and Corn Belt-Lake States, may experience losses that pose a serious threat to longrun survival. The Disaster Assistance Act of 1988 will likely reduce the core problem group to 10,000-15,000 farms. Some farmers were fortunate enough to have large crop inventories from the previous season and could sell them at drought-induced higher prices. Others made extensive use of irrigation for crop production and could harvest a good crop and receive relatively good prices.

The drought will have little affect on agricultural input industries. Most expenditures for seed, fertilizer, and pesticides were already made before the drought became severe and widespread. The drought likely dampened farmer purchases of harvesting and drying equipment during the summer and fall. Most adverse effects on input industries will be localized in hardest hit areas of the Midwest.

Vegetable processors, primarily in the Lake States, will be most affected by the 1988 drought. Some vegetable processors temporarily closed plants in the face of short supplies. Most other processors will have little difficulty obtaining adequate supplies of raw products because of large inventories at the beginning of the crop year.

Rural banks in the drought areas entered 1988 in a stronger financial position and more able to meet local loan demand than rural banks elsewhere. This suggests that most lenders will be able to cope with problem loans and provide credit to borrowers in 1989.

Impaired navigation on the Mississippi River system disrupted export-enhanced grain shipments early in the spring and summer. Alternative transportation could not handle the large volume of displaced barge cargo. Barge rates escalated as difficult navigation and increased travel time added to transportation costs. However, by mid-summer, as export volume shrank and producers held stocks in anticipation of higher prices, demand for barge services declined.

The effects of the drought on the U.S. economy will be relatively small, but some rural communities will experience substantial reductions in business activity. To illustrate the variation in economic effects of the 1988 drought on various regional economies, we identified and examined five prototypical multicounty areas that experienced extreme drought during the summer of 1988. They are located in northeast Montana, north central North Dakota, southwest Wisconsin, east central Illinois, and northwest Ohio.

Our estimated direct income loss due to drought, as a percentage of total gross regional output, ranges from almost 18 percent in the sparsely populated north central North Dakota site to less than 1 percent in the more industrialized northwest Ohio area. These initial shocks to the regional economies imply potential drops in total business activity of almost 22 percent in the North Dakota area, about 13 percent in northeast Montana, about 3 percent in the Wisconsin and Illinois areas, and less than 1 percent in northwest Ohio. Federal drought assistance will compensate for some of the losses. The estimated reduction in direct losses to farming due to drought assistance ranged from 20 percent in Ohio and Wisconsin to 45 percent in Montana.

Ag and Community Linkages Section

Research

Bernal Green, stationed at the University of Arkansas in Fayetteville, is involved with the research to be conducted on the development needs of the Lower Mississippi Delta region, as mandated by the recently passed Delta Development Act. The legislation provides \$2 million to fund a nine member commission with staff that will review and research development needs. The Commission and its staff will prepare by the end of 1989 a ten-year economic development plan for the area, including strategies for attracting business capital and measures to address the region's education and health needs.

Publications

Judy Sommer and **Fred Hines** authored *The U.S. Farm Sector: How Agricultural Exports are Shaping Rural Economies in the 1980's*, published in September. This report

examines several economic indicators in counties heavily dependent on exports and how these indicators changed when ag exports weakened from 1981 to 1986. In the export-dependent counties, farmland values dropped more sharply than in areas with more diversified farming. Also, growth in per capita income fell below the nonmetro average and job growth slowed dramatically.

Wyn Francis and **Mindy Petrulis** co-wrote "Food Processing and Beverage Industries: Moving Toward Concentration," appearing in the October-December issue of the *National Food Review*. The authors found that changes in employment and establishments between 1975 and 1984 confirmed that increasing costs and rapidly shifting consumer tastes and purchasing patterns had prompted food processing and beverage industries to increase automation and aggressively pursue mergers and acquisitions. The result was an overall drop in employment and establishments of 2 percent and 13 percent, respectively. But, rural employment grew by 10 percent, while nonmetro establishments fell by 18 percent. This job growth occurred at a time when both manufacturing and rural America were in decline.

"Export Counties Hit Hard by Drought," co-written by **Judy Sommer** and **Doug Martinez** (EMS), appeared in the November *Farmline*. Their article describes how farmers in export-dependent countries, who were expected to show a significant financial recovery this year because of the sharp upturn in ag exports, instead realized drought-reduced yields that could bring lower sales and cash incomes to many farmers as well as reduced incomes for nonfarm business in the drought-affected countries. Of the 419 nonmetro export-dependent countries, 179 were suffering "severe" or "extreme" drought conditions by late summer.

Fred Hines, **Mindy Petrulis**, and **Judy Sommer** authored "Rural Communities Touched by Drought on Farms," in the August *Agricultural Outlook*. The article discusses the potential effects of the 1988 drought on farming and farm-related input and processing industries in the U.S. It also describes three geographic areas that were among the first to experience unusually hot and dry weather. As of June 11, 134 nonmetro counties in the Northern Area (ND, SD, MN, and WI), 131 nonmetro counties in the Southeastern Area (NC, TN, AL, and GA), and 63 nonmetro counties in the Mountain Area (MT and WY) were classified as having "severe" or "extreme" drought conditions. About one-third of these drought-stricken counties are farm dependent.

Judy Sommer authored "Drought Deals Blow to Economies of Farm Export Counties," appearing in the September issue of *Agricultural Outlook*. Of the 419 nonmetro counties where sales of export-oriented crops (corn, wheat, soybeans, cotton, and rice) account for 50 percent or more of total farm sales, 179 were classified as suffering "severe" or "extreme" drought as of July 9. Eighty-five of those are also highly farm dependent. The article describes the ag sector in the 179 drought-stricken export counties as well as population changes and ag-related employment. The crop shortfalls in these counties will affect not only farm incomes, but also incomes of nonfarm businesses.

Briefings and Miscellaneous

On November 30, the Ag and Community Linkages Section and the Farm Structures Section held a joint day-long research symposium. Organized by **Fred Hines** and **Donn Reimund**, the symposium featured presentations by most members of the two sections on joint and individual research projects being undertaken or in the planning stage. Presentations were followed by constructive comments and discussion.

On November 11, **Wyn Francis** was interviewed by Nancy Roycroft of RFD-TV (a 24-hour satellite channel geared for agribusiness). The topic was the article that he and **Mindy Petrulis** wrote for *National Food Review* entitled, "Food Processing and Beverage Industries: Moving Toward Concentration."

Ag Labor and Household Well-Being Section

Research

As part of a cooperative research agreement, Dr. Eldon D. Smith, University of Kentucky, has been studying the effect of economic change on employment stability and productivity in a 19-county area of South-Central Kentucky between 1979-1985. This area experienced rapid job growth, led by manufacturing expansions, during the late 1960's and the 1970's and was significantly affected by the rapid post-OPEC resurgence of employment in the coal mining industry. But despite rapid total employment growth and growth in the manufacturing sector, low rates of utilization of the severely under-educated regional labor supply remains a chronic problem with very high costs to the public at large. South-Central Kentucky provided a desirable setting in which to study the impacts of economic growth and structural change in a historically severely disadvantaged area.

Publications

During the summer, **Susan Bentley** published *Transfer Payments and Investment Income in the Nonmetro United States*. Susan found that between 1969 and 1983, transfer payments almost doubled as a percent of nonmetro total personal income, from about 20 percent to nearly 40 percent. High inflation during the late seventies and early eighties was a major factor in the growth in transfer payments, many of which are indexed to the cost of living. Record high interest rates led to the dramatic growth in investment income. This report examines the various forms of unearned income and relates them to personal income.

Also published this summer was *Agricultural Work Force Households: How Much Do They Depend on Farming?*, by **Jane Cox** and **Victor Oliveira**. The authors found that loss of farm employment or low farm income would not equally affect the 5.6 million U.S. ag work force households and their 17.6 million members. Most affected by a loss of farm employment or low farm income would be the 1.6 million households (more than 5 million people) of which the head is primarily a



An old mill relocated to Babcock State Park in West Virginia.

farmworker. Sixty-seven percent of all ag work force households would be little affected, since no one in the household depends primarily on farmwork for employment.

Papers Presented and Meetings Attended

In August, **Susan Bentley** and **Rob Munoz** went to the Rural Sociological Society Annual Meeting in Athens, GA, where they took part in a panel entitled "Farm Loss in Five States: Causes and Consequences." Sue, with co-author William Sauppe (University of Wisconsin-Madison), presented results from a longitudinal survey in Wisconsin (see *ARED Newsletter*, Winter 1987). They found that about 20 percent of those who operated farms in southwestern Wisconsin during 1982 had quit farming by 1986, with almost 40 percent leaving involuntarily or for ambiguous reasons. In Ohio, **Rob, Lynn Forester**, and **Linda Reif** found that of 940 farmers surveyed in 1986, a year later, 286 were no longer farming, 60 for financial reasons.

Jim Duffield and **Bob Dubman** (FSFA) had their paper accepted for presentation at the Twentieth International Conference of Agricultural Economists. The paper "The Valuation of Labor Uncertainty Under International Mobility Restrictions" estimates the potential impact of the Immigration Reform and Control Act of 1986 on producer income and utility.

Victor Oliveira spoke on "Measuring Employment in the Agricultural Sector" at a seminar on "Analysis of Labor Statistics for Policy Formulation in the Human Resources Sector." The seminar held December 1, was sponsored by the U.S. Department of Labor. It was attended by economists, analysts,

and statisticians from developing countries. They are studying U.S. data collection programs to improve their knowledge of the types and sources of employment-related data available for planning as well as to develop their skills in data collection and analysis.

Robert Coltrane and Victor Oliveira participated in the 1988 Agricultural Labor National Workshop in Kansas City, in September. The workshop, sponsored by NASS, brought in statisticians from their state offices who work on the Quarterly Farm Labor Survey. Procedures and techniques for conducting the survey were discussed. Under the Immigration and Reform Act of 1986, USDA and the U.S. Department of Labor will jointly estimate the shortage, if any, of workers in crops under the Special Agricultural Worker Program. Data from the survey will be used to help determine the number of replenishment alien workers to be admitted to the United States in the event of a shortage of workers.

RURAL BUSINESS AND GOVERNMENT BRANCH

View from the Branch

by Norm Reid

I recently had the opportunity to participate in a study tour of rural development projects in Germany and two conferences on rural development in other developed countries. I was impressed by how much the focus of rural development discussions differs between the U.S. and other countries. In Europe, for example, far less attention is given to business development than in the United States. Not once during the German tour did I hear the theme of making rural areas economically competitive mentioned.

Instead, attention centered on making rural areas pleasant to live in and inviting to visit. This focus is manifested in community beautification projects, requirements for architectural harmony and adherence to traditional building styles, land use regulation -- even the hiring of landscape architects to critique the land use in a French alpine region aspiring to challenge Switzerland as a tourist destination. It also showed up in a canal project that included wildlife preservation and creating natural looking surroundings as major goals.

In the U.S., we are beginning to see greater emphasis on historic preservation and downtown renewal, as many rural communities rediscover their heritage. And perhaps spurred by the better economic performance of recreation and retirement areas, more rural places are exploring their potential in tourism.

But distance and scale remain important in shaping rural America. By contrast, in many regions of Europe rural residents live within acceptable commuting distance of jobs in urban centers. The greater distances that separate many rural communities in America from vibrant urban economies often

make this impossible. This is perhaps one reason why we have been, and are likely to continue to be, more concerned than our foreign neighbors with the fundamental strength of rural economies, and not merely the charm of rural living.

Branch Activities and News

Norm Reid, Dave Sears and Tom Rowley met with Bob Bergland, Executive Vice President and General Manager, and other officials of the National Rural Electric Cooperative Association (NRECA) on September 12, to discuss the rural economic development role of rural electric cooperatives. It was agreed that ARED would participate in a study, that will assess the types and role of rural development strategies and programs being used by RECs. It will be conducted over the next several months. A possible follow-up study would attempt to quantify the effects of these development activities.

The ERS compendium of information on rural conditions and rural strategies, *Rural Economic Development in the 1980's: Prospects for the Future*, has been republished in the Rural Development Research Reports series for sale to the public by the Government Printing Office. The new volume is smaller than the original blue-covered volume, but the contents are entirely the same. Persons wishing to obtain a copy should request document 001-019-00556-6 from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402 (202) 783-3238. Price is \$12.00; checks are payable to the Superintendent of Documents.

Norm Reid is participating in a Working Group on Economic Development under the auspices of the Federal Interagency Committee on Education's Rural Subcommittee. A brief publication entitled *Education as a Partner in Rural Economic Development: A Bibliography*, listing major Federal Government reports and other recent products on the subjects of education and rural development, is available free of charge from Richard Hage, Chair, Economic Development Working Group, Room 7319, Herbert C. Hoover Building, Washington, DC 20230. The Working Group will be encouraging educators and rural development specialists to work together by sponsoring joint programs at professional association meetings and sharing materials on education and rural development with its growing network of contacts.

The hour-long video documentary, *Your Hometown*, written and produced by David L. Carter, Information Division, with the assistance of ARED staff, has attracted the critical acclaim of the film and television industry. The video recently won a silver medal in the Community Affairs category from the International Film and TV Festival of New York and an Honorable Mention from the National Association of Government Communicators.

Since its release, the program has been aired on more than 170 public television stations across the country, including many in major urban areas, and has been shown twice on the USDA program, *A Better Way*, which is distributed to more than 100 local stations nationwide. Copies of the program may be purchased (\$10 for VHS, checks payable to "ERS") from Dave Carter, USDA-EMS, Room 228-E, 1301 New York

Avenue, N.W., Washington, DC 20005-4789. A packet of information on rural development resources for use by rural communities is also available free of charge.

A set of seven 35 mm slides of the most widely-used ERS county typologies and recent economic and demographic data is now available for purchase. Included in the set are U.S. maps showing the farm-, manufacturing-, and mining-dependent nonmetro counties, retirement destination counties, population change between 1980-86, the unemployment rate in 1987, and employment change between 1980-87. Request "Maps of Nonmetro County Characteristics" from the Photography Division, Office of Information, Office of Governmental and Public Affairs, USDA, Washington, DC 20250-1300. Make checks for \$7 payable to "OGPA/Photography Division;" no purchase are accepted.

Norm Reid has given several speeches on current conditions in rural America and challenges that confront rural communities as they seek to recover from the hard times of the 1980's. In July, he addressed "State Strategies for Rural Economic Development" at the National Conference of State Legislatures Annual Meeting in Reno, NV. In August, he spoke on "Rural America at a Crossroads: What Road Will It Take?" at "Reconnecting Rural America," the National Conference on Rural Intercity Passenger Transportation Needs held at Omaha, NE, and on "Diagnosis Before Cure: What Is Ailing Rural Economies?" at the Annual Meeting of the Council of State Policy and Planning Agencies in Portland, ME. In September, he discussed "The Economic Status of Rural America" at the Northeast Region Rural Development Policy Options Workshop in Syracuse, NY. And in December, he presented a paper at a meeting of State education officials organized by the Appalachian Educational Laboratory, entitled "Rural Areas in the 1980's: Prologue to the 21st Century."

Norm Reid, Dave Sears and Tom Rowley attended a breakfast seminar on September 12, hosted by the NRECA Association. The guest speaker, Dr. Holt Smith of Oklahoma State, discussed OSU's Distance Learning Program. The program, initiated only a few years ago, provides live satellite broadcasts of high school courses in such subjects as German, trigonometry and advanced physics to subscribing schools across the Nation. By providing quality teaching by university faculty in subjects often not available in small rural high schools, OSU hopes to raise the level of rural student performance and improve the human capital of those communities.

The monthly rural development brown bag luncheon series, Partners in Rural Development, continues to meet under the joint auspices of ERS and the Extension Service. In recent months, topics have included the National Governors' Association's major report on rural development, rural children and youth, rural health, and the politics of rural development at the national level. The informal series of programs is open to all. Persons who wish to have their name added to the mailing list for monthly notices should contact **Norm Reid** or **Joseph Lockley** at (202) 786-1542.

Merv Yetley hosted a Chinese delegation on September 22-23. The delegation, from Southwest Agricultural University, Chung Cheng, China, included the President of the

University, the Heads of the Departments of Horticulture and Ag Economics, an Associate Professor of Food Science, and an official of the Ministry of Agriculture in Beijing. The delegation is sponsored by the University of Tennessee, as part of their university-to-university relationship and is returning a visit from a similar group from UTN last year. The delegation visited with Francis Tuan and staff in ERS, with research staff in plant genetics, ag engineering, and food science in Beltsville, and toured the National Agricultural Library.

Rural Business and Industry Section

Publications

Martha Frederick and Herman Bluestone published the *Rural Development Databook* in August. The *RDD* brings together a collection of employment and unemployment statistics that are useful for monitoring economic conditions and change in nonmetro and metro counties. It also describes what the different statistical series measure, how they are estimated and how they relate to one another. The report supplements a more detailed collection of statistics that was released in June on PC diskettes in the Lotus 123 format. Martha and Alex Majchrowicz are currently producing another set of data diskettes which will contain BEA employment and income data from 1969 through 1986 and BLS labor force data from 1976 through 1987.

James P. Miller and Herman Bluestone had an article, "Prospects for Service Sector Employment Growth in Non-metropolitan America," in the Winter 1988 Issue of *The Review of Regional Studies* and Jim's article, "High Technology Industry in Nonmetropolitan Areas, 1976-80," has been accepted for publication in the Winter 1989 issue. An article by Doug Martinez (EMS) based on Jim's high tech research appeared in the November, 1988 issue of *Farmline*. The article received widespread coverage in the rural press and made the front page of at least one newspaper in Nebraska.

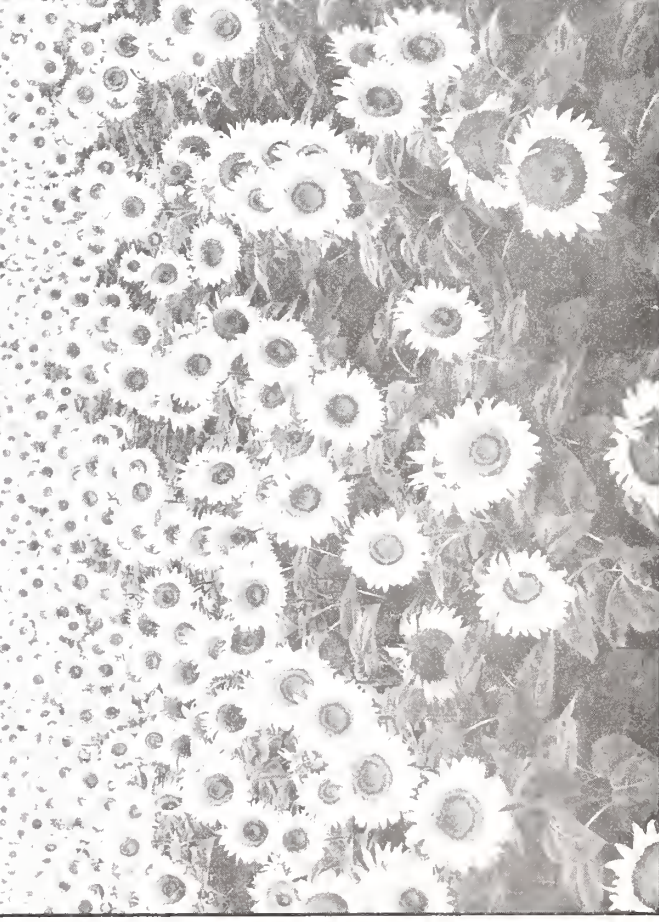
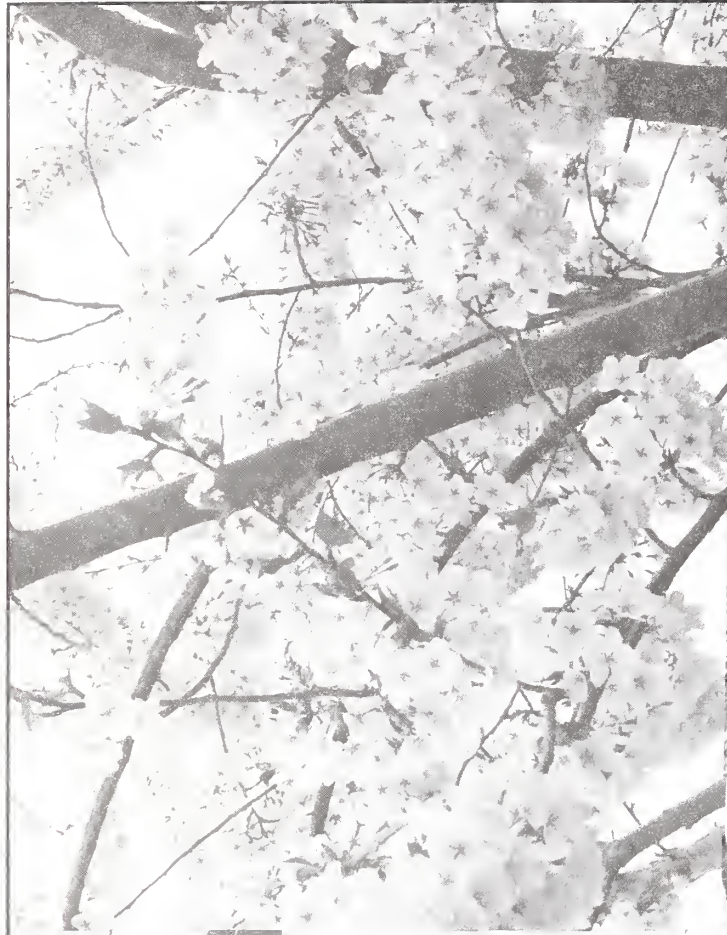
Alex Majchrowicz and Linda Ghelfi (HR) published *Employment and Earnings in Nonmetro Industry, 1979-86*, in November. Alex also provided data and analysis for *Farmline's* indicators page for its November issue. The indicators article was called "Nonmetro Areas Lag in Job Growth." Both pieces documented that nonmetro areas declined more during the 1979-82 recession and expanded less during the 1982-86 recovery than metro areas.

Papers Presented and Meetings Attended

Martha Frederick presented "Improving the Base of Business and Industry Information to Monitor the Nonfarm Rural Economy," in mid-December at the National Governors Association's Second Joint Conference on Integrating Data for Decision-making in Washington, D.C. Martha and Alex Majchrowicz co-authored the paper.

James P. Miller discussed ARED's research program, publications and data products at an Extension Service meet-

ARED 1989 Calendar



JANUARY 1989

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FEBRUARY 1989

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DECEMBER 1989

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ing for Community and Rural Development specialists. The meeting, held at the National Agricultural Library, September 15-16, was intended to acquaint Rural Development Coordinators in several States with the Rural Information Center and resources available from ERS and other Government agencies. Jim provided them with sample publications and brochures relating to ERS' research reports, standard data products and video cassettes.

Herman Bluestone, Rick Reeder (GDP), and Alex Majchrowicz met with Brandon Roberts, Deputy Director of the Council of State Community Affairs Agencies (COSCAA), and Taynia Mann on September 19, concerning COSCAA's study of HUD's Small Cities component of the Community Development Block Grant Program. In addition to making suggestions for sharpening the focus of the study, RBG will provide some needed data. The Small Cities Program is designed to create jobs for low-income people and to improve infrastructure in smaller cities.

Briefings and Miscellaneous

Two BEA employment data files for counties are now available to researchers in ARED and other Divisions in ERS who have signed the data users' agreement for the years 1969-86. One county file contains total employment by 1-digit SIC industries. The other file contains wage and salary employment for 2-digit SIC industries. In addition to the county data, BEA employment and income data and BLS labor force data for groups of counties RBG typically uses in analyses are also available in Lotus 123 format on 3.5 diskettes for in-house use. For further information on these data, contact **Alex Majchrowicz** (786-1547).

Government and Development Policy Section

Research

This is an exciting time for research in the section. During 1988, the section tripled its size, moving from two employees to six. As a result, the research agenda has been greatly enhanced. Overall, the mission of the GDP Section is to conduct policy-relevant research on the role that governments at all levels can play in encouraging economic and community development in rural America. The section is carrying out this mission through a variety of staff projects and cooperative agreements.

RBG will host a series of mini-conferences on the "Foundations of Rural Development." Scheduled throughout FY89 and FY90, the conferences will explore the roles of education, entrepreneurship, physical and social infrastructure in rural economic development. Outside researchers will participate in the conferences and prepare chapters for inclusion in a book on the subject. **Norm Reid, Merv Yetley, Dave Sears and Tom Rowley** of RBG will organize the effort.

Rick Reeder and Elliott Dubin are beginning a new project, still in the planning stage, to revisit the "poverty of

government services" issue, covered previously by the work of Tom Stinson. The planned project will attempt to draw "a poverty line" using a regression analysis of county-level local government expenditures, accounting for economies of size/density in provision of public services. The main objective is to assess changes since the early 1960's in the ability rural local governments to provide public services.

John Redman, Molly Killian (HR), and Dave Sears are conducting a study of growth and stability in rural counties. Once counties have been sorted by earnings growth and the stability of that growth over time, the researchers will attempt to identify associations between relative growth and stability during the 1979-86 period with various socioeconomic factors that characterized local conditions during a prior period, 1970-80. In addition, the researchers will profile by growth, stability and socioeconomic structure those rural areas which experienced a large restructuring of their economic bases over the 1969-86 period.

Elliott Dubin is studying urban-rural differences in local government expenditures for elementary and secondary education. Some of the preliminary results are not surprising. Per pupil expenditures for education are highest in suburban counties in the Northeast and lowest in nonmetro counties in the South. School expenditures per pupil are also among the highest in the sparsely settled regions of the West; it is assumed that these high expenditure levels are due to the high cost of providing education services in these low density areas and not due to high levels of service.

Rick Reeder is preparing a report on State and local fiscal capacity and effort measures and their correlation with other measures of community well-being. This report also discusses policy options available for reducing urban bias associated with some current aid formulas and other options for improving the effectiveness of targeting aid to distressed rural communities.

John Redman and Tom Rowley will be conducting a study of state economic growth patterns. This study will develop a comparison across states of relative metro and non-metro growth patterns during the 1979-86 period. An attempt will be made to identify a handful of different types of states, based on differences in metro-nonmetro patterns. Within-group and cross-group analysis will then be performed to delineate socioeconomic factors that appear systematically related to differences in economic performance. This exercise may also permit some conclusions regarding the need for a targeted rural development policy in a given state and the most appropriate policy mix for such a strategy.

A research team led by Professor Jan Flora of Kansas State University is conducting a study of self-development efforts in rural America. Self-development is a strategy in which a local government actively promotes local enterprise creation and expansion. The purpose of this study is (a) to define local self-development in operational terms, (b) to compile an inventory of recent instances of rural self-development, (c) to survey a sample of the inventoried communities to document the characteristics of the strategies attempted, and (d) to conduct in-depth case studies on a handful of these communities. This cooperative research study will run through 1990 and is being

directed by **Dave Sears**. Participants are Kansas State, and the universities of Vermont and Georgia.

Rick Reeder is working with the U.S. Advisory Commission on Intergovernmental Relations (ACIR) to develop plans for an ACIR report on revenue diversification (methods for raising revenues other than property taxes) for rural local governments. ACIR has commissioned three research papers which are to be published in a report expected in 1989. Larry DeBoer (Purdue U.), Susan MacManus (U. South Florida), and Tom Stinson (U. Minnesota) will write papers for this report. Funding is provided through a cooperative agreement.

Elliott Dubin is monitoring a cooperative agreement with Ball State University to study the response of rural local governments to Federal mandates. Ball State is surveying all rural local governments in Indiana and conducting personal interviews with elected officials in a selected sample of rural governments.

An ERS staff report will be published soon on the first phase of the Cleveland State University study of rural local government responses to Federal aid cuts. The second phase of this study, which focuses on a few particular programs, such as housing rehabilitation and elderly programs, will be the topic of a subsequent report from Cleveland State.

Professor Al Sokolow of the University of California-Davis is studying the ways that rural local governments promote economic development. The primary products of this cooperative research effort will be an annotated bibliography and a brief paper synthesizing what is known on this topic.

Professor Don Hadwiger of Iowa State University is completing a study of the rural development activities of the State government of Iowa. This study, carried out under a cooperative agreement, will document the scope of State government activities that have economic development impacts.

Publications

A new ERS Staff Report, *Funding for Local Government and Schools in Rural Oklahoma*, reported the results of a GDP cooperative agreement with Oklahoma State University. Gordon Sloggett and Gerald Doeksen found that funding varied among Oklahoma local governments, depending on their economic base, due to shifts in oil and gas industries and agriculture over the 1980-85 period.

Papers Presented and Meetings Attended

Elliott Dubin spoke about ARED's research publications, standard data products, and rural development research programs at an Extension Service orientation meeting at the National Agricultural Library in Beltsville, in August.

During October, **John Redman** attended a Council of State Governments conference in Raleigh, NC, on rural economic development. Sessions were held on a broad range of topics including financing of small rural businesses, the relationship

between high technology manufacturing and rural development, flexible manufacturing systems and job training. As part of the conference, John participated in a "rolling workshop" -- a bus tour that traveled to several economic development projects in eastern and central North Carolina. These projects included a small business incubator, a small business assistance center, and an old community college in substantial disrepair that was being refurbished to serve as a rural community development center.

Ken Deavers and **Elliott Dubin** will present papers at a symposium held by the Association for Education in Rural America (AERA) in late March. Ken will speak on the economic and social conditions in rural areas and Elliott will discuss the findings of his research on local government financing of elementary and secondary education in nonmetro areas.

On October 27, **Dave Sears** attended a seminar sponsored by the American Society for Public Administration. Robert Holland, President of the Committee for Economic Development (CED), spoke on some of the major policy implications of ongoing and pending demographic changes in the U.S. population. For instance, the ratio of workers to non-workers will have profound consequences for both the public and private sectors. Holland's talk was based upon a recently released CED study.

Dave Sears spoke to a group of faculty, staff and students at the Department of Landscape Architecture and Regional Planning at the University of Massachusetts in Amherst, on October 6. His talk was part of the Department's Distinguished Visitors Lecture Series. Dave talked about planning for rural America. He covered recent trends and some basic components of planning, and then went on to describe the special attributes of planning for rural America, addressing such dilemmas as "should planners serve as growth controllers or growth promoters?" and "is planning for a population or a place more appropriate?"

Dave Sears recently met with Bob Rauner, Director of the Office of Economic Adjustment (OEA) of the Department of Defense. OEA's goal is to ease the transition that local communities (many of them rural) must make when a military facility is closed, opened, or substantially modified in scale. OEA has recently encouraged diversifying the local economies of rural communities with military bases. OEA is interested in ERS research on rural development, especially the study on local self-development strategies.

HUMAN RESOURCES BRANCH

View from the Branch

by David McGranahan

There is no view from the Branch. A 12-story behemoth is rising next door, cutting off our view of beautifully treed Franklin Park, even blocking some of our windows complete-

ly. The building's workers with their families constitute a population equal to that of a small nonmetropolitan city. Two more behemoths are going up around the park, and will add to the congestion. We here have more than one reason for promoting rural recovery.

The latest nonmetro statistics suggest that the rural economic situation is at least stabilizing. National near-full employment has benefitted the nonmetro work force, bringing their 1988 unemployment rates down and generating a job growth rate that is considerably nearer to the metro rate than it has been in recent years. According to CPS data, net outmigration from nonmetro to metro areas was much reduced between March 1987 and March 1988 from what it had been in the previous few years. And the nonmetro poverty rate dropped in 1987 for the first time since 1979.

This is not to suggest a rural re-renaissance, however. The 1987 nonmetro poverty rate was still 17 percent, nearly equal to the metro central city rate. The net outmigration from nonmetro areas was estimated at nearly half a million in 1987-88. And rural wages remain low. Recent research by Alan Bird in the Rural Labor Markets Section shows that in 1987, 13 percent of the nonmetro workers were not earning enough in a 40 hour week to support even themselves above the poverty line, much less a family.

The Branch is undergoing considerable personnel change. Calvin Beale is now Senior Demographer, or Branch Elder, while Linda Swanson has moved up to become Head of the Population Section. My promotion to replace retiring Max Jordan as Branch Chief means the selection of a new Rural Labor Markets Section Head this January. Itinerant Leif Jensen has gone to Bates College in Maine. Paul Swaim, an expert on displaced workers, has joined the Rural Labor Markets Section. Three other positions have strong candidates, and, with a greater emphasis on rural development in ERS this year, we will have two additional professional positions to fill.

With changes in the rural situation and the new personnel, the Branch is in the process of defining its mission for the next five years. It is clear that education will receive more emphasis, as will changes in age and household structure. We plan to firm up our ideas at a Branch-wide meeting this spring. Included in that meeting will be a report from an outside review committee.

Income and Well-Being Section

Publications

"Black Farmers and the Economic and Social Conditions Where They Live: Some Policy Implications," by **Robert Hoppe** and Herman Bluestone (RBI) was published in the 1987 volume of *Southern Rural Sociology*. Black farmers tend to live in slowly growing areas where opportunities to supplement farm income with nonfarm earnings are limited. In counties with concentrations of black farmers, blacks face severe economic and social conditions. They have a higher incidence of poverty, less education, and higher unemployment than

other blacks in the South. Strategies to address the black farm crisis must consider both the characteristics of black farmers, such as their advanced age, and the economic and social conditions of areas where they live.

"Member Characteristics and Participation in RSS: An Overview," by Fern Willits (Penn State) and **Linda Ghelfi** was published in the August issue of *The Rural Sociologist*. A survey of the Rural Sociological Society membership shows that members are quite active in Society functions. Attendance at the annual meetings was the most frequently cited activity. Much lower percentages of the membership have ever published in *Rural Sociology*, the Society's journal; and even smaller percentages have ever held elected or appointed offices. Participation in all activities was highly related to length of membership, longer-term members having had many more opportunities to participate.

Papers Presented and Meetings Attended

Robert Hoppe presented "Two Types of Poverty, Two Types of Policy" at a symposium entitled "Towards Rural Development Policy for the 1990's: Enhancing Income and Employment Opportunities," sponsored by the Congressional Research Service at the request of the Joint Economic Committee, held in Washington, DC, September 29-30. Bob examined rural policies for the persistently poor and the temporarily poor. He stressed strategies that encourage the poor to work, such as establishing work incentives for AFDC recipients and providing job training. However, the effect of these measures is limited by the overall performance of the economy and local economic conditions. By themselves, job training, skill enhancement, work requirements, and related measures do not generate a single new job.

Peggy Ross presented "Economic and Socio-demographic Trends Affecting the South" to State Legislative Agency Directors at a Southern Legislative Conference meeting in Atlanta, GA, October 21. Her paper covered population, employment, and income trends in metro and nonmetro areas of the South. While Southern metro and nonmetro areas did better than their nonsouth counterparts in population and income growth from 1979 to 1986, Southern areas still have lower per capita income, higher poverty rates, and lower average earnings per worker.

Peggy Ross participated in the Rural Poverty Meeting organized by the Rural Economic Policy Program, Aspen Institute, at Wye Plantation, MD, November 13-15. **Calvin Beale** presented "Poor Rural People and Places" to introduce the topic to the group. **Ken Deavers** chaired a session on policies and programs for the rural poor.

Peggy Ross presented "Poverty and Policy Issues in Rural Areas" as part of the Bureau of Labor Statistics International Labor Statistics Program on December 1. Peggy briefly described several anti-poverty strategies and the issues surrounding their operation and effectiveness. The seminar ended with an open dialogue on poverty and anti-poverty programs in the nations represented by the participants. The Program is offered periodically to acquaint representatives of developing



An early morning winter snow scene on Bushing Bridge Road east of Versailles, Indiana.

countries with various topics in the collection and analysis of data for public policy.

The following papers were presented at the Rural Sociological Society Annual Meetings, August 20-23, Athens, Georgia.

Robert Hoppe presented "Defining and Measuring Non-metro Poverty: Results from the Survey of Income and Program Participation." Bob used monthly data from the Survey of Income and Program Participation (SIPP) to define poverty in different ways. Regardless of how poverty was measured, nonmetro areas had proportionately more poor than metro areas. Also, the nonmetro poor were more likely to be white, aged, disabled, and members of married-couple households than the metro poor under all definitions.

Linda Ghelfi presented "Member Participation in Rural Sociological Society Activities: Differences Between Men and Women," coauthored with Fern Willits (Penn State). Using data from their survey of the RSS membership, Linda showed that women were less likely than men to have participated in the annual meetings, published in Society periodicals, or been elected or appointed to office. However, when women's shorter term membership, lower percentage of Ph.D.s, and

lower percentage employment at universities were controlled, differences in most areas of involvement disappeared. Only in chairing sessions at the meetings and in publishing in *Rural Sociology* were women still at a disadvantage.

Peggy Ross presented "An Update on the Poverty Legislation Currently in Congress." The two welfare reform bills actively being considered by Congress were outlined. Points of comparison were payment levels, training and work requirements, medical benefits, and eligibility requirements. If national payment levels were established for Aid to Families with Dependent Children, rural recipients in many Southern States (where current State-determined benefit levels are low) would receive higher payments.

The following papers were presented at the 46th Professional Agricultural Workers Conference, Tuskegee University, Tuskegee, AL, December 4-6.

Leslie Whitener (RLM) presented "Labor Market Disadvantages Facing Farmers: A Regional Focus." Her findings indicate that farmers in the Northeast, Midwest, and South are disadvantaged in their search for off-farm employment by their human capital characteristics and the structure of their local labor markets. In contrast, farmers in the West have education

al attainment comparable with the local labor force, but have more problems finding "good" job opportunities in their local labor markets.

Donald Bellamy presented "Southern Persistently Low-Income Counties: Social and Economic Characteristics." Southern nonmetro counties ranking in the bottom quintile of per capita income from 1950 through 1979 were analyzed. Of the 223 persistently low-income counties, 35 escaped the bottom quintile in 1984. Escapees had somewhat better educated residents, more well-rounded economies, lower unemployment rates, and more than double the employment growth than counties that remained in the bottom quintile.

Peggy Ross chaired a session, "Human Capital Formation for Rural Development."

Population Studies Section

Publications

On August 8, the *New York Times* published an article discussing rapid growth in northeastern Pennsylvania stemming from inmovement of retirees, long-distance commuters to New York-northeastern New Jersey, and general gentrification. The article referred to research on nonmetro population change by **Calvin Beale** and reprinted his map of nonmetro retirement counties.

The joint Census-ERS annual report on the social and economic characteristics of the farm resident population was issued in June. *Rural and Rural Farm Population: 1987* is the first of the series presented in the new format developed to include comprehensive information on the rural population. Intercensal rural data are not available elsewhere. About 63.9 million persons, or 27 percent of the Nation's population, lived in rural areas in 1987; 5.0 million of these rural residents lived on farms. The report, written by **Judy Kalbacher** and **Diana DeAre** (Census), includes information on race and Hispanic origin, age and sex, and labor force activities of the rural and rural farm population. Also included for farm residents are fertility characteristics, marital status, household and family composition, and income and poverty.

In a staff analysis entitled "Native Americans in the Rural United States and the Status of Their Farms," **Judy Kalbacher** and **Linda Swanson** summarized the most recent Census data on American Indians in agriculture. All told, there were 7,211 Indian-operated farms (0.3 percent of all farms), with total sales of \$237 million. According to the population census, 10,446 native Americans had agriculture as a primary occupation; only 3,342 of them were farm operators. This study was prepared as part of USDA's response to an inquiry from the congressionally-mandated Intertribal Agriculture Council.

Papers Presented and Meetings Attended

Linda Swanson presented "Migration Trends in the Western States Since 1975" at the Rural Sociological Society

annual meetings in Athens, GA, August 20-23. One of the results of the analysis was that the economic base of western counties, manufacturing in the early 1980's and mining in the mid-1980's, had become the primary determinant of net migration.

On October 23, **Calvin Beale** spoke at a Conference on Attracting Retirees to Alabama, sponsored by the Governor's office of that State. Alabama has decided to initiate a deliberate policy of seeking to attract retired people to the State as a rural and small town economic development strategy. They have in mind the example of Arkansas, which has an active State-funded program of this nature. **Calvin** spoke on the extent to which retirement growth has already taken place in nonmetro areas and on the location and characteristics of such areas.

Calvin Beale spoke on geographic and demographic aspects of nonmetro poverty at a conference on rural poverty sponsored by the Aspen Institute. A major purpose of the meeting was to acquaint more urban-oriented analysts with the nature of rural poverty and to bring their experience and perspective to bear on nonmetro poverty analysts.

Rural Labor Markets Section

Papers Presented and Meetings Attended

On November 10, **Paul Swaim** gave a seminar on how rapid technological change, high rates on business formation and failure, and continuing shifts in the occupational, industrial, and geographic distribution of employment suggest that many workers are being permanently laid-off and that a high degree of occupational and geographic mobility is required to obtain comparably attractive jobs. The talk presented results from a study of job displacement using CPS data. Both the extent and the consequences of displacement were discussed with particular attention devoted to the personal and labor markets factors that cause many displaced workers severe labor market dislocation.

Tim Parker and **Leslie Whitener** presented, "Labor Market Conditions Facing U.S. Farmers," at the RSS meetings in Athens, GA. The study findings indicated that farmers seeking either supplemental or alternative off-farm employment in their local labor market area are likely to be disadvantaged in two ways. Personal characteristics such as age and education may make them weak competitors for good jobs and there are fairly few good employment opportunities. These disadvantages, in turn, affect the success of programs designed to assist farmers in a transition to off-farm work. **Tim** and **Leslie** are currently involved in additional analysis to examine regional variations in the labor force competition and labor market conditions facing farmers.

At the RSS meetings in December, **Leslie Whitener** also presented a paper that focused on alternative definitions of ag labor market areas. Conditions such as unemployment rates and per capita income varied widely depending on the definition selected, even though all models purport to identify the same

areas dependent or specializing in agriculture. The paper argues that researchers must pay particular attention to the ALMA definition used when developing or evaluating research on ag labor market areas.

Molly Killian presented a paper entitled "The Allocation of Earnings in Rural And Urban Local Labor Markets" at the RSS meetings in Athens, GA. The thesis of the paper is that a better understanding of the rural/urban earnings gap can be gained by examining both individual and local labor market effects on earnings.

Dave McGranahan and **Molly Killian** attended the first meeting of the newly funded S-229 regional project in San Antonio, TX, October 20-21. This program, "The Changing Structure of Local Labor Markets in Nonmetropolitan Areas: Causes, Consequences, and Policy Implications," will build upon the research accomplishments of the now completed S-184 regional project. Objectives of project S-229 are to: (1) Determine the origins of local labor markets and measure their change over time; (2) Determine how local labor markets affect the social and economic well-being of rural workers and households; (3) Identify the determinants of social and economic inequality in local labor market areas; and, (4) Assess the implications of economic and industrial development strategies for local labor market areas.

Briefings and Miscellaneous

Congratulations to **Alan Bird** for being selected as Lecturer of the Year by the Alexandria Campus Council of Northern Virginia Community College. The award was presented for Alan's outstanding positive contribution to the objectives and goals of the College.

NATIONAL ECONOMY AND HISTORY BRANCH

View from the Branch

by Tom Hady

Happy New Year! While the sentiment fits the holiday season, I'm actually thinking of the fiscal year. With the end of Fiscal 1988, we spent our usual time taking stock of what we had done and what we wanted to do, and I want to pass some of that on to readers of the newsletter.

NEH's accomplishments were considerable in FY88. Some examples: We developed a 10-sector computable general equilibrium model of the U.S. economy, and used it to help support staff analyses of trade liberalization. We expect to expand that model to disaggregate agriculture beyond its present 3 sectors, and to use it more for staff analyses of both domestic and international issues.

We made substantial progress on a history of USDA activities since 1976, when the last definitive history of the Department was completed. The book is to be done by 1989, to help commemorate the Bicentennial of the Constitution.

We nearly completed a world macroeconomic model, in conjunction with researchers at Glasgow University. When it is on line, we expect that model to significantly improve our macroeconomic situation and outlook activities, by giving us a better handle on the very important international influences on the economy.

Unlike the Commissioner of Patents in 1843, who said, "The advancement of the arts from year to year taxes the credulity and seems to presage the arrival of that period when human improvement must end," we think there are some important things left to do. A major priority is to extend our models so that we can say more about impacts on rural areas, rather than just agriculture. We are making a start on CGE models to do that, and we hope to expand our macroeconomic work in that direction as well. Similarly, in 1989 we want to expand our historical research on issues of importance to rural areas, such as the history of rural development programs and the history of rural credit programs.

Branch Activities and News

Tom Hady presented a paper on "Rural Areas and the National Economy" at a conference sponsored by the Congressional Research Service at the request of the Joint Economic Committee, Sept. 29-30.

"Agriculture and Rural Areas Approaching the Twenty-First Century," proceedings of a 1985 conference sponsored by AAEA, came out recently. It includes **Tom Hady's** "The Economics of Rural Areas: A Discussion."

Agriculture and Rural History Section

Publications

History of Federal Drought Relief Programs, by **Lowell Dyson**, was published in October. The paper deals with the growth of these programs from the days when President Grover Cleveland vetoed a \$10,000 seed relief bill with the comment that people support the government, government does not support people, through growth of a variety of programs in the 20th century, and culminating with the recently enacted Disaster Assistance Act of 1988.

Papers Presented and Meetings Attended

Norwood Kerr has been selected to present a paper to the International Congress of Historical Sciences, to be held in Madrid, Spain in the summer of 1990. Entitled "Serving Man and Serving Science: State Agricultural Experiment Stations in the U.S., 1887-1987," his will be one of 16 papers in a ses-

sion on the development of technical education in the contemporary period (1800 to present).

Briefings and Miscellaneous

On a *related* subject, **Lowell Dyson's** wife left in August for a year as Fulbright Professor of Administrative and Constitutional Law at Jilin University, People's Republic of China.

Lowell Dyson was interviewed by Don Elder for USDA's nationally syndicated television program, "A Better Way." Lowell discussed the history of drought relief programs, comparing current legislation with that of the 1930's. He also talked about the role historians play, not only as chroniclers, but also as advisors.

Douglas Bowers was interviewed at length on November 2, by Collin McKelheany of the London-based Twenty-First Century Trust on the events leading to the 1980 embargo against the USSR. Mr. McKelheany is putting together a conference on US-Soviet trade relations to be held next year in London.

Rob Sivak of Voice of America tape recorded an interview with **Jane Porter** and **Lowell Dyson**, on November 29, for a future broadcast. In response to a query from a listener in Saudi Arabia about American land reform programs, Jane and Lowell discussed the unique system which provided nearly free land for three centuries of settlers. They supplemented this with an exchange on 20th century policies and programs, and speculation about the future.

National Aggregate Analysis Section

Research

Ron Babula and **David Bessler** (Texas A&M) are using time series techniques to reveal the nature of the price transmission mechanisms between the crop, poultry livestock, and consumer meat sectors of the economy. In particular, the research focuses on how a farm shock, in terms of a crop price, influences poultry livestock and poultry consumer price levels. In response to a farm-level price change, they are discerning the reaction times for nonfarm price responses, the directions and durations of such responses, and whether these response patterns have changed since the 1950's.

Publications

Maureen Kilkenny (formerly NAA) and **Sherman Robinson** wrote *Modeling the Removal of Production Incentive Distortions in the U.S. Agricultural Sector Using a Computable General Equilibrium Model*.

Ron Babula and **David Bessler** (Texas A&M) published "Wheat Prices from Farm to Retail," in October's *Agricultural Outlook*. The article summarizes a vector autoregression (VAR) model of wheat-related farm, industrial, and consumer prices. The model was shocked by a (presumably drought-induced) rise in the farmgate wheat price, and the influences on industrial and consumer prices of wheat-based goods studied. Based on historical price trends, farm wheat price increases like



A seldom used barn and corral await cows and cowboys as sunrise uncovers the Tetons in western Wyoming.

those experienced during this summer's drought will be felt for about a year at the industrial level and for up to a year and a half at the consumer level.

The following were additional publications this fall:

Ron Babula and David Bessler (Texas A&M), "Higher Corn Prices and Livestock, Meat Prices," in the November *Agricultural Outlook*.

Ron Babula and David Bessler (Texas A&M), "Effects of Cotton Spot Price Changes," in the December *Agricultural Outlook*.

Bill Edmonson and **Jerry Schluter**, "U.S. Trade Benefits Economy," in *Foreign Agricultural Trade of the United States*.

Ron Babula, "Contemporaneous Correlation and Modeling U.S.-Canadian Crop Flows," in the Winter, 1989, *Journal of Agricultural Economics Research*.

Chinkook Lee did a review of *Empirical Methods for International Trade*, a book edited by Robert C. Feenstra, in the Fall issue of the *Journal of Agricultural Economics Research*.

Maureen Kilkenny (formerly NAA) did a review of *Real-Financial Linkages Among Open Economies*, a book edited by Sven W. Arndt and J. David Richardson, also in the Fall issue of the *Journal of Agricultural Economics Research*.

Papers Presented and Meetings Attended

Chinkook Lee presented "The Changing Nature of U.S.-Korean Agricultural Trade: A Development Perspective" at the third convention of Korea-America Economic Association meetings in Seoul, Korea, August 1-4.

Chinkook Lee attended the annual meetings of the International Association of Agricultural Economics in Buenos Aires, Argentina, August 24-31. He presented a paper at a Poster Session of the meetings on the effects of dollar depreciation on ag prices and income. He also served as a rapporteur at the session of Rural Agricultural Development.

Jerry Schluter attended the "International Conference on the Construction and Use of Regional Input-output Models" in Morgantown, West Virginia, August 13-16. Jerry was the conference discussant for a session, "Extended Models and SAMs." Participants from the U.S., Canada, Australia, England, The Netherlands, Israel, and the USSR discussed historical developments in regional I/O models as well as the latest extensions of these analysis.

At Stanford University, October 28-30, **Sherman Robinson** participated in the Social Science Research Council Committee on Economic Stability and Growth "Conference on International Productivity and Competitiveness." He presented a paper co-authored with Irma Adelman (University of California, Berkeley), "U.S. Competitiveness and the Ex-

change Rate: A General Equilibrium Analysis of the U.S. Economy, 1982-1986."

Sherman Robinson presented a seminar, "Modeling U.S. Agricultural Programs in a CGE Model," at the University of California, Berkeley Department of Economics and at the Department of Applied and Agricultural Economics, University of Minnesota. The seminar presented results and insights from NAA's CGE modeling of the removal of ag programs and international trade distortions.

Sherman Robinson presented a joint ERS-University of Maryland seminar, "Modeling the Removal of Production Incentive Distortions in the U.S. Agricultural Sector," on October 21. Sherman also presented a similar seminar, "Agricultural Trade Liberalization: Effects on the U.S. Economy," to the Kennedy School of Government, Harvard University.

On August 19, **Sherman Robinson** presented a paper co-authored with **Maureen Kilkenny** (formerly NAA), "Intersectoral Effects of Agricultural Liberalization in the U.S. Factor Markets and Macroeconomic Linkages" for the symposium, "Bringing Agriculture into the GATT" sponsored by the International Agricultural Trade Research Consortium in Annapolis.

Macroeconomics Section

Publications

Mark Denbaly published two staff papers in the area of macroeconomic linkages to agriculture. Balance of Payments and Macroeconomic Policies: *An Historical Overview and Implications for Agricultural Trade*, reviews recent balance-of-payments developments and agriculture's role in them, as well as providing a framework for understanding the causes behind those movements. *In Shortrun Effects of U.S. Macroeconomic Policies on Grain Exports*, Mark uses a general model for analyzing the ways that grain exports are affected by macroeconomic policies. His study generalizes the work of others in the literature by considering a greater array of macroeconomic factors and accounting for their interaction.

John Kitchen published a staff paper entitled *Agricultural Futures Prices and New Information*, that discussed the impacts of "news" on commodity prices. He concluded that interest rate and weather news played important roles in the determination of corn, soybean, and wheat prices.

John Kitchen and **Ralph Monaco** coauthored a chapter in the forthcoming *Food and Agricultural Policy Review* on the effects that general economic developments have on the ag sector.

Papers Presented and Meetings Attended

Ralph Monaco discussed the macroeconomic outlook for 1989 at the ERS Situation and Outlook Seminar held in September, in St. Louis. Ralph feels that 1989 is likely to be a good

year with GNP growth a little lower than 1988, and inflation and interest rates perhaps slightly higher.

Jim Malley brought to completion a world modeling cooperative agreement with Glasgow University. The year-long agreement culminated in two seminars held at the ERS building in Washington, DC, in late September. Model structure, estimation techniques, and simulation properties were discussed at the first seminar, while the construction and use of the specially designed model solution software was the subject of the second. Two discussion papers about the model are available.

John Kitchen was a discussant at the Trade Consortium held in December in San Antonio, TX.

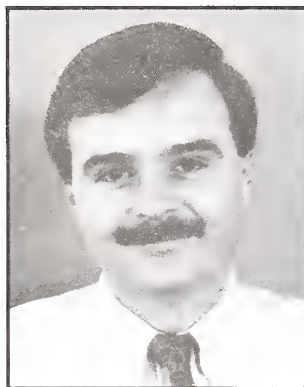
Briefings and Miscellaneous

Annette Dargan earned a performance award in November for her diligent work in support of a short study about U.S. ag trade conducted by Chinkook Lee (NAA).

THE DATA SCENE

John Hession (OD) and **Dave Hopkins** (Data Services Center) have spearheaded the development, along with the ARED Data Management Committee, of ARED's new *Data Management System* (DMS). Initiated in October after a year in development, the DMS will now enable the Division to more efficiently manage its large and growing volume of data.

The DMS is a PC-based product that contains valuable information on ARED's major data series. With the new system,



John Hession



Dave Hopkins

researchers can view the entire database, browse through broad categories of data, or execute a search program tailored to his/her specifications. From there, one can get a printout of pertinent data series that contains a brief abstract, tape specifications, and contact researcher(s). The search and query programs and database are contained on a single 360K floppy disk. All programs have been compiled and no supporting software is necessary.

The primary goal of the DMS is to cut expenses by saving researchers time and cutting mainframe computer costs. However, as it becomes fully implemented, the DMS will accomplish at least four additional objectives: (1) it will assist researchers in locating and identifying datasets that contain variables needed for analysis; (2) it will avoid duplication of effort in recreating data already in inventory; (3) it will maintain data integrity; and, (4) it will improve response time to outside information requests.

ARED PEOPLE

Office of the Director

Andi Baker joined ERS in 1985, as secretary to Dick Long. She worked first in Rural Business and Government Branch, then moved to the Office of Director in 1987 when Dick became Associate Director of ARED. Before joining ERS, Andi worked with Dick in Hyattsville and in the South Building for the now defunct Office of Rural Development Policy.



Andi Baker

Andi's contributions to many reports and publications have received merit, but she is most proud of her work on the book, *Nonmetro America in Transition* and the Senate Report, *Rural Economic Development in the 1980's*. Andi has also been instrumental in getting past issues of the ARED Newsletter out the door.

In high school, Andi bred poodles and was interested in becoming a veterinarian. While veterinary school didn't work out, Andi is still something of a resident Dr. Dolittle. She not only works part-time in a pet shop, but also maintains her own "micro zoo" in Hyattsville, populated with a snake, a parakeet, a dog, an iguana and a fish. Of course, Andi claims to speak their languages! Somehow, Andi also finds the time to raise her four children.

Farm Sector and Financial Analysis Branch

Chris McGath recently assumed responsibility for calculating the farm sector production expense estimates used in the derivation of the farm sector net income series published in two volumes of the *Economic Indicators of the Farm Sector*. These data are also provided regularly to the Department of Commerce, which uses them in its calculation of the National Income and Product Accounts, and to other offices within ERS.

Chris also participates in FSFA's ongoing research on estimation procedures and data sources aimed at continually improving its depiction of the farm sector economy. As a part of

this research, he recently undertook a study of the revisions made in income and expense estimates since 1979.

In the process of managing files and preparing estimates for publication, Chris has become a minor expert on Lotus macros. For instance, to meet editorial requirements, he devised a program that will center numbers under column headings and produces negative numbers with both negative signs and commas, a format not currently available in Lotus.



Chris McGath

Chris was born and raised in Columbus, OH, and moved to the D.C. area in 1974. He studied economics at Ohio State and graduate-level philosophy for two years at Catholic University. His serious avocation is music. Chris has performed solos with the Arlington Metropolitan Chorus during one season and has sung with three major Washington-area choruses and the Catholic University Summer Opera Theatre. He is now a soloist with a 40-voice church choir, which he also conducts on occasion. Carrying his interest in music further than most, Chris married the church choir's organist, Susan DeCamp, who has a degree in piano performance from the University of Maryland. They have two children, Meghan, 6 years old, and Thomas, 7 months.

Finance and Tax Branch

As an economist, **Jim Mikesell's** research is primarily focused on financial institutions and markets. His career with ERS began in 1969, with the rural housing "project area" (a term long ago replaced by "section"). He is a triple graduate of Iowa State University, earning a B.S., M.S., and Ph.D. in economics with minors in statistics and mathematics. In addition to finance and housing topics, he has also done research on property taxes, the economics of education, and most recently, poverty measures.

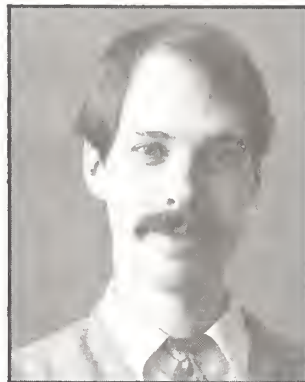


Jim Mikesell

Jim is from Oakley, IA, (population "less than 20") where he grew up helping in the family's general store. Jim and his wife live in Northern Virginia, where they own and operate Celita's Antiques, Etc., in Fairfax City. It is a "full line" antique shop that specializes in small furniture, silver, linens, glass, china, costume jewelry, and books. Much of Jim's time away from the office is devoted to this business. Since he particularly enjoys learning about antiques and collectibles, Jim concentrates on purchasing and identification.

Farm and Rural Economy Branch

Neal Peterson joined ERS back in a simpler time when the branch was just the Farm Sector Branch, before the latest round of *clarifying reforms and simplifications* in the government "nomenclatura." Neal's research has focused on the structure of U.S. agriculture, which has led him into the labyrinth of the U.S. Census Bureau and introduced him to its mysteries. He has been a liaison to the Census Bureau and has helped establish an Ag Census longitudinal index file that is updated every census, and which makes possible longitudinal analysis of U.S. agriculture. He is currently building an econometric model of structural change in U.S.



Neal Peterson

agriculture that is based on a nonstationary Markov chain process, and is a direct outgrowth of the availability of longitudinal data.

Neal came to ERS from Michigan State University where he was a PhD candidate in Ag Economics. He has an M.S. in genetics and a B.S. in agriculture from West Virginia University. A West Virginia native, for ten years he owned a 90 acre farm there, which is where he thought he would retire. But alas, time and distance took its toll, and the farm was sold.

Neal has a passion for pawpaws (*Asimina triloba*) that is difficult to understand yet very real. He is apparently the world's leading expert on this little-known, much-neglected native North American fruit, receiving inquiries from all around the U.S. and the world about it. He has assembled an extensive germplasm collection of over 1200 trees, growing on University of Maryland Experiment Station property. The project's purpose is to domesticate the pawpaw and popularize it with the American people. His other interests are gardening, swimming, Quaker activities, and the Gay community.

Rural Business and Government Branch

Martha Frederick is a geographer in the Rural Business and Industry Section, joining ERS in January 1987. Besides co-writing an annotated bibliography on rural entrepreneurship, she is beginning a study of the effects of large dominant firms on local levels of rural entrepreneurship. On the truly number crunching side, Martha co-authored the *Rural Development Databook* and supplemental diskettes, which explain a present BEA employment and BLS civilian labor forcedata research. This paper is drawn from the section's database, which she helps to maintain.

Martha received her B.S. in Regional Analysis and Geography from the University of Wisconsin, Green Bay in 1975. In 1985, she earned her M.S. in Geography from the University of Idaho. In between, she lived in various small towns and rural places in Montana and Idaho. The places ranged from

Missoula, MT (pop. about 50,000), to outside Spencer, ID (pop. 32, not counting dogs and horses).

Martha held a variety of jobs in that period, including brakeman-switchman, survey aide, forestry aide, sheep



Martha Frederick

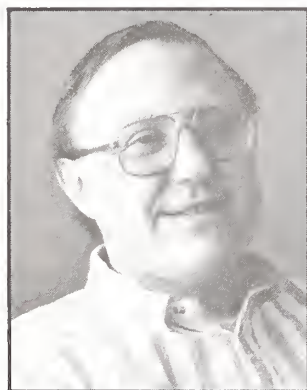
wrangler, fence-builder, and chair lift operator at a ski resort. There were times of little money and no work. But since being at ERS, Martha has learned that she was not merely broke and out of work. At different times, she has been an unemployed worker, an under-employed worker, a displaced worker, and even an active nonfarm proprietor!

These days Martha has given up the wide open spaces of the sparsely populated West

for a coop apartment in densely populated Adams Morgan. She chose to live in there in order to experience a truly urban setting and because she hates commuting. Martha appreciates the irony of having to live and work in a big city in order to study rural areas.

Human Resources Branch

Bob Hoppe works in the Income and Well-Being Section, where he is project leader for Income Security Programs and Well-Being. Since joining



Bob Hoppe

ERS in 1978, Bob has worked on a variety of issues related to income and poverty. He developed the original farming-dependent county classification, revised an earlier persistently low-income county classification, examined transfer payments in rural areas, and served on the Black Farmers Study Team.

More recently he, has been involved in research on antipoverty and income policies

for rural areas. In 1987, he worked for six months at the Census Bureau, using data from the new Survey of Income and Program Participation (SIPP).

Bob grew up in Kasson, MN. He has a B.A. in economics from the University of Minnesota, Morris, and an MA in agricultural economics from Washington State University. From November, 1973, through May, 1978, he worked at the Department of Agricultural and Applied Economics, University of Minnesota, St. Paul, where he built input-output models. His outside interests include local history and hiking.

National Economy and History Branch

Ralph Monaco "enlisted" in the ERS in mid-1985, becoming Project Leader of the Macroeconomic Situation and Outlook Project. In 1987, he became Section Leader of the



Ralph Monaco

Macroeconomics section, where he leads a "dedicated band of information warriors" in the fight against confused macroeconomic reasoning.

Ralph claims to have stayed in school as long as he possibly could, getting a B.A. in economics from the College of William and Mary in 1978, "and taking my good old time finishing a Ph.D. at the University of Maryland in 1984." For one year he taught macroeconomics at the UMD, Baltimore County.

That's when he says he realized he had spent more than 20 years in the classroom and needed to get out. Ralph became an econometrician at the CIA, where he worked on energy demand forecasting for various European countries. After about a year and a half there, he saw the recruiting poster for ERS ("the John Lee one saying 'Uncle John Wants You!,'") and joined up.

When asked his view on the current macroeconomic outlook, Ralph believes in hedging his bets. He says real GNP will either rise then fall a little, or fall a little then rise. He cautioned that interest rates may go up, then down, then back up, although that pattern could be reversed, too. More seriously, he thinks the expansion is very likely to continue in 1989, with real GNP growing about 3 percent, inflation around 4 percent, and interest rates staying about where they are. In short, the macro outlook is still quite good. And, no, he's not saying that just to please the current Administration.

PERSONNEL

Farm Sector Financial Analysis Branch

On November 8, Jerry Warmann became leader for the Production Expenses Project in the Farm Income Estimation Section. Jerry had been an extension economist at VPI for the past 4 years. Prior to that, Jerry earned a Ph.D. at Oklahoma State University.

Hossein Parandvash joined the Income Forecast Section in September. Hossein is originally from Tehran, Iran, and recently received his Ph.D in ag economics from Oregon State University. Financial performance of farmers is the focus of his current research. Hossein also spent two weeks assisting a researcher from the University of Minnesota under an FSFA Cooperative Agreement.

Diane Bertelsen has shifted into the income project, and will be assisting Andy Bernat in the monthly updating of farm income projections.

Andy Bernat was cited by ERS for analysis of drought effects on farm income.

Since September, the Farm Income Estimation Section has hosted a visiting scholar, **Mr. Song Jihe**, research fellow in The Research Center for Rural Development of the State Council of the Peoples Republic of China. Mr. Song is interested in farm income estimation methods and doing research regarding part-time farmers. The **Roger Strickland** and his wife recently hosted Mr. Song and three of his associates, visiting elsewhere in ERS, at a dinner party with **Greg Hanson, Bob Williams, Jim Ryan** and their families. It was an educational experience for all.

Finance and Tax Branch

Gwen Coleman rejoined the ARED staff in July as branch secretary. Before putting in a brief stint at HUD, Gwen was the secretary for ARED's associate director.

In November, **Anne Burke** resigned as the Rural Finance and Tax Section's statistical assistant.

Farm and Rural Economy Branch

Fred Gale joined the Farm Structure Section in early October after completing his Ph.D. in Economics at North Carolina State University. He is looking forward to working with the Ag Census longitudinal file to examine issues relating to farm size and growth, entry and exit, and farm structure. Fred is currently studying the influence of prices, interest rates and exports on the determination of aggregate farm numbers.

David Henderson joined the Farm Structure Section in May. David holds a B.S. in Economics and Anthropology from the University of Oregon, an M.S. in the Social Sciences with an emphasis on Geography from Emphoria State University, and a Ph.D. in Ag Economics from Oklahoma State University. He is married and has three sons, Abe, age 12, Gabe, age 6, and Eli, age 4.

Tiffany Mills joined the Agriculture and Community Linkages and Farm Structure Sections as dual secretary in October. Fortunately, she claims to be ambidextrous.

Rural Business and Government Branch

John A. Redman has joined the Government and Development Policy Section as an economist specializing in state economic development policy. John has worked in the Washington area for over ten years as a Research Associate with several private consulting firms. He also served for a year as a consultant to the U.S. Senate. He holds an M.S. in ag economics from the University of Wisconsin, Madison and a B.S. in International Affairs from the Georgetown University School of Foreign Service.

In August, **Tom Rowley** joined the Government and Development Policy Section, after finishing an M.S. in Community and Regional Planning from the University of Texas at Austin. Tom originally hails from Seguin, Texas. A cosmopolitan guy, and widely considered prototypical 80's man, Tom lists his eclectic hobbies as opera, ballet, all-you-can-eat buffets, and playing for any sports team that will take him.

Human Resources Branch

David McGranahan is the new Branch Chief, replacing Max Jordan, who has retired. Dave joined ERS in 1980 as a member of the Regional Analysis Section in the old EDD. Later he moved to the Population Section where he was leader of the Social Indicators Project from its start. Dave has published numerous papers during his tenure in ERS, focusing



David McGranahan

on changes in the age structure of the population, rural economic and social trends, and most recently, the role of rural workers in the national economy. He was a member of the original Rural Development Perspectives Editorial Board, and has been a co-director of the Rura! Entrepreneurship Project. Other activities have included consulting trips to Spain, Malaysia, and Bangladesh.

Prior to joining ERS, McGranahan was engaged in research for 10 years at the University of Wisconsin, where he worked on human resource and industrial development issues. He also worked in the Peace Corps, where he helped in the formation of rural and urban cooperatives in Venezuela. He has also worked in VISTA and for the World Bank. Dave has taught courses in accounting and established and managed credit unions in low income areas.

Dave received a B.A. in economics from Harvard and an M.S. in rural sociology and Ph.D. in sociology from Wisconsin. He has received four ERS Administrator's Special Merit Awards.



Linda Swanson

Linda Swanson is the new Section Head, Population Studies. Linda came to work in the Population Section in 1980, attracted by the complementarity of her dissertation research

and Calvin Beale's work on the nonmetro turnaround. While in the Population Section, her work has focused on population change in non-metro areas, with migration as the primary driving force, and on social indicators of well-

being in nonmetro counties. She has recently begun work on a new project examining the effect of family structure on the economic well-being of nonmetro children.

Linda received a B.A. from Chatham College, with a double major in Psychology and Sociology, and has her Masters and Ph.D. in Sociology with a specialization in Demography from the University of Michigan. While at Michigan, she worked as a fellow at the Population Studies Center and as a teaching assistant on the Detroit Area Study.

In 1988, Linda received an Administrator's Special Merit Award for her contribution to the *Rural Development in the 1980's* report and a Special Service Award in 1987.

Sonya Salamon from the University of Illinois is a visiting scholar for the 1988-89 academic year. Sonya is Professor of Family Studies in the School of Human Resources and Family Studies. She is an anthropologist, one of the few attached to an agricultural experiment station.

Sonya took a B.F.A. in Painting and Design from the Carnegie Institute of Technology, and has her graduate degrees from the University of California at Berkeley (MA), and the University of Illinois at Urbana-Champaign (Ph.D.), both in anthropology. Her research has focused on Illinois farm families.



Sonya Salamon

She was awarded the first Rural Sociological Society Policy Fellowship, to be used in conjunction with her sabbatical leave to broaden her expertise in rural policy issues. Sonya is interested in the future of Midwestern rural communities

and how they must cooperate to survive in the future, despite historical tendencies toward hostile rivalries. How family choices contribute to larger social issues such as the persistence of rural communities and the consolidation of farms is the focus of her work while in residence at ARED.

National Economy and History Branch

Linda Felton joined National Aggregate Analysis as section secretary in September.

Steve Tokarick, Ph.D, University of Pittsburgh, joined National Aggregate Analysis as an economist in late October.

Pat Saunders gave birth to a 7 pound baby boy, Matthew, Jr., on June 6. Pat expects her son to be the Redskins new quarterback by the year 2013. Good way to get season tickets.

The Macro Section welcomes back **Paul Sundell** from a two-year cooperative agreement with Pennsylvania State University, where he worked on building a model to better

predict and explain interest rates. He is currently putting the finishing touches on his model, which will help the Macro Section in forecasting interest rates.

AWARDS AND RECOGNITION

RDP Award

by Sara Mazie

Each year, the *Rural Development Perspectives* (RDP) Editorial Board selects one article that exemplifies what we try to achieve in the journal, effective presentation of important and significant research findings placed in a broad perspective. From many quality articles authored by ERS researchers this year, the board chose "Rural Workers at a Disadvantage in Job Opportunities," by **David McGranahan**, as the best article in volume 4. The article appeared in the June 1988 issue. It explains with insightful analysis, how and why rural communities, limited by their small size and remoteness, tend to attract routine production types of manufacturing, while complex manufacturing industries, with more managerial and professional jobs, tend to avoid rural areas.

EDITOR'S NOTES

Appreciation

Very special thanks go to **Carolyn Riley** for her extra efforts in designing and helping put together this holiday issue of the ARED Newsletter, as well as for her usual fine job taking the staff pictures. This issue another significant, new wrinkle was added, as we employed a desktop publishing system for the first time, an effort Carolyn spearheaded. A substantial thank you also goes to **Tiffany Mills** for her considerable and cheerful efforts in typing and arranging the newsletter.

Since this is my final turn as editor, I would like to again express my deep gratitude to all those who have helped so much to put together what I believe is a good, quality product. As I mentioned above, Carolyn has been superb in designing the newsletter covers, taking staff photos, and as a constant source of ideas and suggestions. Her boss, **Jim Morrison**, has also been great with design suggestions and an ample supply of patience for my frequent visits. **Mindy Petrusis** was a rich source of design and format ideas as well as an unparalleled proofreader. **Richard Truesdale** has done a great job shepherding the newsletter through the printing process, with high quality results. The last and biggest thank you goes to the entire staff of ARED, for the quality and quantity of new items they consistently contributed. Without their input, no ARED Newsletter would be possible.

-- Wyn Francis

Contact the New Editor

For address changes/additions, questions or comments, or for submitting items to appear in the ARED Newsletter, please contact **Chris McGath**, (202) 786-1804, Room 936, ARED-ERS, 1301 New York Ave., Washington, D.C. 20005-4788

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A farmer heads off into the winter sunset, led by his trusty cow.

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